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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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CONTENTS

INTERNATIONAL AFFAIRS

New CEMA Standards Regulate Major Industries (Joachim Schoenermark; OSTSEE-ZEITUNG, 7 Aug 84).....	1
Mutual Trade Between CEMA Partners Detailed (Alexander Drabkin; DAS VOLK, 11 Aug 84).....	3
Trade With CEMA States, Other Countries Reviewed (Adrian Constantinescu, Victor Babiuc; REVISTA ECONOMICA, No 36, 7 Sep 84).....	5
Briefs	
Increased Trade With USSR	11
Leipzig Fair CEMA Cooperation	11
CEMA Cooperation With LDC's	12

BULGARIA

Hungarian View of Bulgarian Economic Development Presented (Jeno Barsony; TARSADALMI SZEMLE, Nos 7-8, 1984).....	13
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CZECHOSLOVAKIA

New Decree on Financing Research, Development Explained (Stanislav Sourek Interview; RUDE PRAVO, 24 Sep 84).....	27
State of Health Services Criticized (RUDE PRAVO, 17 Aug 84).....	29

GERMAN DEMOCRATIC REPUBLIC

Continued Economic Growth for July, August Detailed (NEUER TAG, 7 Aug 84; NEUES DEUTSCHLAND, 7 Sep 84).....	31
July Industrial Production Figures	
August Industrial Production Figures	
Briefs	
Protocol Signed With Vietnam	35
Protocol Signed With Mongolia	35

HUNGARY

Tungsram To Look Inward for Solution to Financial Problems (Karoly Demeter Interview; NEPSZABADSAG, 25 Aug 84).....	36
Market for Gas Bonds Mixed (NEPSZABADSAG, 18 Aug 84).....	43
Machine Industry Works Factory Sold (Katalin Bossanyi; NEPSZABADSAG, 30 Aug 84).....	45

POLAND

Katowice Mill Official Tries To Justify Government Subsidies (Aleksandra Chmura; TRYBUNA ROBOTNICZA, 20 Aug 84).....	47
Excessive Costs of Recovery Uncovered in GUS Analysis (Marek Misiak; ZYCIE GOSPODARCZE, No 35, 25 Aug 84).....	51
PRON Organ Touts Benefits of IMF Membership (Michal Lytko; ODRODZENIE, No 35, 28 Aug 84).....	63
Industry Shows Poor Earnings Performance Record During Jan-Jun 84 (Marek Misiak; ZYCIE GOSPODARCZE, No 36, 2 Sep 84).....	67
Official Disputes 'Incorrect' Debt Service Deferral Ideas (Witold Bien; NOWE DROGI, No 8, Aug 84).....	75
Targets Set in 1985 Plan Termed 'Wishful Thinking' (Marcin Makowiecki; ZYCIE GOSPODARCZE, No 35, 26 Aug 84)...	80

ROMANIA

Successes of Loan Programs for Farmers (St Sarbu; AGRICULTURA SOCIALISTA, 9 Aug 84).....	86
---	----

Purchases, Use of Electronic Equipment Analyzed (Dima Lupu, Laureana Urse; COMERTUL MODERN, No 3, May- Jun 84).....	89
New Types of Aircraft Designed, Built (REVISTA ECONOMICA, No 36, 7 Sep 84).....	97

INTERNATIONAL AFFAIRS

NEW CEMA STANDARDS REGULATE MAJOR INDUSTRIES

Rostock OSTSEE-ZEITUNG in German 7 Aug 84 p. 4

[Article by Joachim Schoenermark, vice president of ASMW (Standardization, Measurement and Commodity Testing Office): "4,500 CEMA Standards--Valuable Aid to Cooperation"]

[Text] When the balance sheet is drawn up on the 35-year cooperation of the CEMA countries, standardization, quality guarantees and metrology will be part of it. The CEMA Economic Summit made a point of that too. Especially since converting to the CEMA standard 10 years ago we have learned better and better combining systematic standardization with our economic and scientific-technical collaboration.

Through circa 4,500 approved CEMA standards crucial foundations and normative-technical prerequisites were created for lending a high level of scientific-technical qualities to the products and assortments for CEMA import-export and for export to other states. That also assured the needed interchangeability and matching of components and single parts. Great results have already been achieved in the metal processing industry and in electrical engineering and electronics. The tasks in microelectronics, optoelectronics and robot technology are gaining increasing importance. Metallurgy and chemistry also have had good experiences, and even the ball bearing industry has long not been conceivable any more without the CEMA standards. Many of them contain specific parameters that directly or indirectly determine the qualities and have an effect on a high materials and energy economy. Through their accelerated introduction to the sets of national standards in the GDR much material and energy was saved. Altogether, standardization within CEMA is meant to contribute more to improving the cost/benefit ratio.

The proportion of top products--with a high rate of upgrading--is being raised, and the consumption of raw materials, semifabricates, fuels and energy is being reduced. That makes necessary elaborating these standards as an integral part of R&D, design and project planning in line with the latest scientific-technical data. They serve as a basis for efficient production and are criteria for the present and future world market requirements and the quality level rating for the products traded within CEMA.

In view of the key role played by introducing new technologies and products for our economic performance growth, these demands apply mainly to products under long-range development in crucial sectors. Those are the electronic components, highly integrated microcircuits, microprocessor technology, optoelectronics and industrial robots.

The GDR's new standardization ordinance that went into effect on 1 June 1984 contains the basic demands and tasks for the management and planning of standardization on all economic levels. Experts agree that standardization has to be developed further as an effective management tool to achieve a high degree of upgrading in production and have an orientation and rating instrument on hand for ensuring faultless labor. Its effectiveness is meant to be further enhanced so that it can contribute to a basic improvement of the cost/benefit ratio. Through progressive computation, design and project planning provisions an effect is to be achieved on reducing the specific material and energy consumption and on the input/output ratio. Furthermore, these standards are also meant to help boost the mass production of components and single parts, make assortment development more efficient, and ensure a high degree of interchangeability and matching parts.

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INTERNATIONAL AFFAIRS

MUTUAL TRADE BETWEEN CEMA PARTNERS DETAILED

Erfurt DAS VOLK in German 11 Aug 84 p 7

[Article by Alexander Drabkin: "The Supreme Principle of CEMA: Comradely Aid and Mutual Advantage"]

[Text] The CEMA Economic Summit Declaration states that in the relation among the fraternal states the principles of socialist internationalism, respect for national sovereignty, complete equality, reciprocal advantage and mutual comradely aid will also in the future be resolutely observed.

Especially thanks to such mutual aid, a group of highly heterogeneous states--as far as their economic potential and social development was concerned--which formed CEMA 35 years ago, were able to create a dynamically developing unified socialist community. This mutual aid also was of fundamental importance to approximating their economic development levels. The effect of that is evident.

Without an analysis of its mechanism, however, it runs the danger of being only a motto yet not a factor of economic development. The countries in the socialist community began 30 years ago to place their mutual economic relations on a stable and systematic foundation. In these years the five-year plan coordination became a very important way for developing stable and mutually beneficial economic and scientific-technical relations among them. Comradely reciprocal aid was concretely embodied and crystallized in relevant agreements implemented for the national planning system and for the foreign trade.

Most of CEMA's foreign trade--over 58 percent--is transacted within. Its average annual growth rate between 1961 and 1983 came to 11 percent, greatly exceeding thereby its national income and industrial production rates. This indicates that, on the basis of mutual aid, it is constantly deepening its participation in international socialist division of labor.

Mutual aid covered the main part of its needs in vital goods. In 1982, the proportion of mutual aid deliveries, relative to the CEMA countries' total imports, came to 67.8 percent for machines and equipment, 99.2 for hard coal, 69 for petroleum, 93 for natural gas, 76.7 for iron ore, 66.3 for rolled steel, 97.8 for lumber, and 60.7 percent for mass consumer commodities. That is of special importance today when the world economy has been extremely destabilized by the policy of the most aggressive imperialist circles.

The Soviet Union with its great economic, technical and scientific potential is the most important trade partner of the different CEMA states.

The CEMA Summit Declaration treats the terms reciprocal advantage and comradely reciprocal aid as identical terms, which is only logical because the principle of reciprocal advantage, after all, primarily means in the CEMA countries' interstate economic relations equivalent exchange.

Mutually advantageous cooperation is being broadened as one of the most important prerequisites for the all-round realization of the principle of comradely mutual aid. Ensuring the same benefits for the partners' economic consolidation facilitates successfully dealing with joint socioeconomic tasks.

The CEMA summit has confirmed the deepening of cooperation and the further development of socialist economic integration as the proper course at the proper time. This course is an important factor for all-round progress by each CEMA country and for approximating their economic development levels. At the same time, those who took part in the conference observed that there were still significant reserves for expanding mutual cooperation, for deepening production specialization and cooperation, and for increasing their mutual trade in the interest of an effective utilization of the fraternal countries' production, science and technical potentials and for enhancing the prosperity of their peoples.

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TRADE WITH CEMA STATES, OTHER COUNTRIES REVIEWED

Bucharest REVISTA ECONOMICA in Romanian No 36, 7 Sep 84 pp 19, 20, 28

[Article by Dr Adrian Constantinescu and Dr Victor Babiuc]

[Text] A multilateral performance analysis of the foreign trade plan, carried out during the Workshop of the Central Committee of the RCP on Problems of Agriculture, Industry, and Party Activity, has shown the need of decisive measures to fulfill export production, exportation, and production cooperation, not only with socialist countries, but with developing countries and developed capitalist countries as well. The advantages derived from cooperation activities are of course much greater if the action is carried out according to an active rather than passive strategy intended to draw partners into collaboration in priority areas of the national economy, and to accept the various proposals from these partners. In this way, the comparative advantages of Romanian enterprises can be better exploited, leading to higher efficiency.

The current crisis of the world economy increases the risk of conventional foreign trade operations due to the chain reaction triggered by the financial collapse of some companies, the broader protectionist measures adopted by some countries, the attempts of some companies to survive by sacrificing their commercial partners, and so on. On the other hand, the contemporary world economy is characterized by many changes, both short and long term, which often lead to commercial, currency, financial, and other distortions and uncertainties.

Under these conditions, some points of divergence could arise during Romania's participation in international commerce, between the planned nature of the national economy, and the often uncertain situation of the world economy and foreign markets. Hence the question: what formats, what specific approaches in the conduct of foreign economic relations, can meet the demands imposed by the planned nature and growth of the national economy, while being most appropriate for the prevailing conditions of foreign markets? In other words, what forms of trade and cooperation will satisfy our country's interest in full and efficient participation in the international division of labor, under the uncertain conditions of the foreign markets?

The answer is found in the scientific orientation of our party and state policy, which stresses the important role of production cooperation and long term contracts. Due to several superior features compared to other methods of economic collaboration with foreign partners, these forms of economic collaboration can attenuate and often even eliminate the possible negative effects on the national economy, of constant changes and uncertainties arising in the world economy.

To begin with, both production cooperation and long term contracts provide stability and continuity in relations with various foreign partners, as well as compliance with the principles of equality of rights and mutual advantage. Stability and continuity in relations are sine qua non conditions for planned economic development; it is because of these attributes that production cooperation activities and commercial exchanges on the basis of long term contracts are judiciously taken into consideration in establishing and executing the unified national plan for socioeconomic development. Moreover, these forms of foreign economic relations have an evolutionary nature, in the sense that they often constitute the foundations for future collaborations between the same partners. At the same time, it should also be pointed out that production cooperation and long term contracts express the imperatives of the new economic-financial mechanism, because they offer opportunities to increase the efficiency of commercial and cooperation relations at a micro and macroeconomic level under more stable conditions.

What in our opinion, are the essential arguments in this direction?

For production cooperation, the first thing we believe should be emphasized, is that such actions lead to a more direct and profound involvement of the partners in the collaboration process. This engenders a common interest among the contracting parties, which independently of the extent of their rights and obligations, are seeking to achieve a common objective: the object of the cooperation. Moreover, a certain technical and economic solidarity exists among the contributions of the parties, independently of their nature, because all of these efforts contribute to achieve the object of the cooperation, which becomes an indivisible whole. In other words, the contributions of the parties fuse and lose their individuality in the object of the cooperation, which once completed becomes an organic whole in which the contributions of the parties are indivisible.

All of these are elements which increase the vested interest of the parties in a well functioning production (including and especially its quality), thus assuring the production of goods that are competitive on foreign markets.

Illustrative examples of this concept are the joint production and sales companies established in Romania. Participating in the capital and activities of these companies, the partners have a direct interest in obtaining the best possible economic-financial results; they are therefore concerned with creating products that are competitive in all respects. Throughout its 10-year activity for instance, the joint Romanian-American company Romcontrol Data has constantly and with great flexibility adapted its production

structure as a function of foreign demand. In addition, it devotes particular attention to the quality of its finished products, which is comparable or even better than that of competitive products. Similarly, the partners in the joint Romanian-Italian company Rifil, have introduced significant modifications and have expanded the structure of the company's line, in keeping with the changes that arise on foreign markets.

Romania also participates in the activity of international economic organizations of CEMA nations, whose role is to help improve cooperation and specialization in a number of industrial fields. At the same time, Romania has collaborated in building large economic objectives, and in developing new production facilities in other socialist countries by supplying installations, tooling and other investment goods, documentation, and technical assistance, all of which are repaid in products which are obtained from these facilities, and mainly in raw materials needed for our national economy. In Russia, Romania has thus participated in building the cellulose plant at Ust-Ilim, the mining combine for asbestos processing at Kienbai, the South-Ukraine nuclear power plant, as well as in the production development of ferrous raw materials and certain types of ferrous alloys, and the exploitation of gas deposits.

Bilaterally, Romania together with Bulgaria has created the joint machine construction enterprise at Giurgiu-Ruse; together with Russia the hydroelectric plant Stinca-Costesti on the Prut, and the lines for transporting electric power from Russia to Bulgaria; and together with Yugoslavia, the hydroelectric power systems Portile de Fier I and Portile de Fier II.

Secondly, cooperation actions can generate very good opportunities and improved conditions for selling the resulting products on foreign markets (among others, by discovering and using more reliable foreign outlets, or by using the sales networks of foreign partners). Thus, as part of many cooperation actions aimed at building new production facilities in Romania (for cars, ball bearings, various types of engines, and so on), the foreign partners undertook the obligation of accepting a portion of the resulting production.

Thirdly, production cooperation makes it possible to avoid certain tariff and non-tariff obstacles which usually hamper conventional exports on some markets. These possibilities become evident especially when the object of cooperation consists in technologically complex industrial products (particularly electronic equipment).

A fourth argument in support of the above--although one whose effects are indirect but much greater at the level of the national economy and foreign trade--is that the proper conduct of production cooperation activities generate a consistently high technical level in exportation production. More specifically, through the intensive application and utilization of modern technologies, cooperation causes positive changes in domestic production (materialized in a higher, more diversified, and better quality production, and/or in better production organization). These positive changes are necessarily reflected in the competitiveness of the national exportation, in the sense that they can increase the volume, perfect the structure, and improve the efficiency of the sales of processed products on foreign markets.

For instance, the joint Romanian-FRG company Resita-Renk supplies the Romanian industry with the best quality of gear reducers for ship engines, which on one hand eliminates a large volume of ancillary importations paid in convertible currency, and on the other hand helps increase the competitiveness of various categories of exported Romanian ships. At the same time, the joint Romanian-FRG company Resita Reducer Plant has established a reputation on foreign markets during the past 10 years, as supplier of high quality, competitive products that are constantly being improved and adapted to demand. Similarly, the cooperations carried out in the area of internal combustion engines have modernized and expanded the range of engines manufactured for Romanian trucks and buses, a situation which has enriched the exportation offer with positive effects on the country's currency income. International cooperation actions have also made a large contribution to the diversification of Romania's line of tractors.

Advantages of Firm, Long Term Contracts

Long term contracts also increase efficiency in our foreign trade, because they provide greater reliability in the supply of imported raw materials and other products, as well as in the distribution of Romanian goods on various foreign markets. Due to the long periods they cover, and consequently to their clauses, such contracts confer greater contractual balance, and a degree of stability for prices, quantities, and terms in export-import operations, which is greater than that which characterizes conventional international commercial contracts (for a short or even intermediate term).

These are also in fact the reasons for which the Romanian legislative body recommends the priority use of this category of international contracts. Thus, according to the legal regulations adopted for the application of the new economic-financial mechanism, long term international commercial contracts must constitute the rule in foreign economic relations (short term contracts constituting an exception from the rule). Being signed for the long term, these contracts can take into consideration the orientations and development forecasts of the national economy, as well as the provisions of cooperation agreements with other countries regarding supplies as part of production cooperation actions, for products intended for the exportation of machines, tools, and installations that have a long manufacturing cycles, and for the importation of major raw materials.

Along these lines, the law of economic contracts establishes the obligation of foreign trade enterprises to give priority to the closing of long term international commercial contracts of 5-25 years, as follows:

As a rule, long term contracts are signed for periods of five years or more;

Contracts to import basic raw materials are closed so as to assure supplies for periods of 15-25 years;

International economic cooperation contracts for goods, coproduction, services, and the execution of projects under conditions of reciprocity, are established primarily for periods of 10-15 years;

Cooperation contracts for the joint exploitation with foreign partners, of new economic objectives in Romania or abroad, as well as for modernizing existing units in industry, agriculture, and other branches, or for carrying out commercial actions on third markets, are established for the entire period necessary to complete the object of the cooperation.

One specific feature to be noted in long term contracts, is the inclusion of clauses to maintain the value of the contracts, and of clauses to adapt the contracts to new possible circumstances. The purpose of these clauses is to consolidate the economic balance of the contributions made by each contracting party during the period of the contract. This provides the feature of definite advantages offered by the use of long term contracts under the present uncertain conditions of the world market, insofar as these contracts can attenuate or even eliminate the difficulties created by the unstable international economic situation, thus assuring the the socioeconomic activities planned for the nation are carried out under good circumstances. One example of such agreements is the long term contract for cokeable coal supplies from the United States, through which the Island Creek company provides the Romania steel industry with significant quantities of coal for a long duration.

These advantages of production cooperation and commercial exchanges on the basis of long term contracts are confirmed by many other examples in Romania.

In production cooperation for instance, there are the actions initiated within CEMA, designed to exploit important natural resources. Added to them is the construction, in cooperation with companies from various countries, of modern production facilities that generate new export trade in the machine building, chemical, petrochemical, construction materials, as well as in the light and food industries. Plants have been built in Romania to manufacture cars, helicopters and planes, ball bearings, compressors, electronic equipment, various types of engines, isoprene rubber, caustic soda, chlorinated products and fertilizers, to dry and freeze vegetables and fruits, and so on.

In long term contracts, this form of foreign commercial exchanges supply the national economy with large amounts of raw and other materials (cokeable coal, iron ore, nonferrous ores, tropical woods, cotton and other textile fibers, and so on). Similarly, these contracts provide a stable and consistent basis for the export of Romanian processed products (both as such, and as parts and components for industrial machines and equipment).

These are only some of the elements which lead us to assert that production cooperation actions and long term contracts have to play a leading role among the instruments used in Romania's foreign trade and international economic cooperation. Most often, this cooperation and long term contracts are effective exploitations of the broad political and economic openings created by the meetings and contacts between the president of our country, Nicolae Ceausescu, and heads of states and governments from many countries on all the continents, socialist, developing, as well as capitalist ones. In fact, the practice of these means of economic cooperation, the important role which they

can and must play in Romania's foreign trade, in the country's entire development process, were clearly indicated by the secretary general of the party: "Even under the present, more difficult international economic conditions, we have the possibility--and we in fact must--act to develop international economic relations, production cooperation, and long term contracts, in order to provide a sound basis for the development of our entire economic and social activity."

That is why the perfecting of efficient production cooperations, and of long term export-import contracts under advantageous conditions, must represent a major concern for all specialists and all workers whose activities bring them into the sphere of foreign trade.

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BRIEFS

INCREASED TRADE WITH USSR--Moscow--The volume of Soviet foreign trade in the first half of 1984 was 7.1 percent above the level for the same period of the previous year, reaching a total of R61.1 billion, reports EKONOMICHESKAYA GPZETA. Trade with CEMA countries has developed particularly rapidly, showing a growth rate of 11.9 percent. Statistics published in the newspaper on the foreign trade relations with individual CEMA countries show that trade with the GDR increased by an above-average 12.3 percent. With an increase of 16.8 percent in imports from the GDR, that country is first among the European socialist countries. Hungary and the CSSR likewise had high growth rates of about 12 percent in trade with the USSR. The rising trend also continued for foreign trade with China. A volume of R394 million was reached in the first half of 1984. The USSR had increased trade with the largest West European trade partners, with whom it has extensive commercial ties. Thus trade with the FRG increased by 13.9 percent, reaching a volume of \$3.829 billion. The FRG thus continues to be in first place in the USSR's foreign trade with the developed capitalist industrial countries, second place being occupied by Finland with a bilateral trade volume of \$2.463 billion. Trade with Great Britain increased by 24.7 percent to \$1.086 billion and trade with Austria grew by 32.6 percent to \$862 million. "To a considerable degree, the prospects for further development in trade relations between the USSR and the capitalist countries will depend upon they show political realism and the willingness to put economic relations on an equal basis with no discrimination at all," declares the Soviet newspaper. [Text] [Halle FREIHEIT in German 21 Aug 84 p 1] 9746

LEIPZIG FAIR CEMA COOPERATION--Berlin--At the upcoming fall fair in Leipzig, the CEMA member countries will present numerous new exhibits as proof of the advantages of international economic cooperation. The long-term cooperation on the basis of bilateral and multilateral agreements on specialization and cooperation in production will be centered primarily in the fair branches chemistry, construction of chemical installations, polygraphic machines, textile processing and woodworking machines and medical technology. Among the top items displayed in the exhibit of the combine TEXTIMA Karl-Marx-Stadt is a continually improved automatic wave-shed weaving machine that is distinguished by extremely high productivity through limited requirements for textile materials. There will also be interesting examples in catalysts, planing machines, fertilizers, trucks and petroleum refining installations. About 200 items in the Soviet collective exhibition are results of joint research and development work with institutions and enterprises of other socialist countries. In the special

exhibition of the Leningrad region, examples are presented for integration in the areas of chemistry and construction of chemical installations, including the technology for the production of high-pressure polyethylenes that was achieved jointly by the "Plastpolymer" production association and the "Walter Ulbricht" Leuna-Works. There are extensive cooperative relations in the area of medicine and laboratory technology. Thus, for example, producers from the USSR, Hungary, the CSSR, Poland and the GDR are participating in the production of components for diagnostic equipment. Among the road and commercial vehicles, there is the further-developed truck tractor built jointly by Bulgarian and Czechoslovak producers and presented by Balkancar. The Hungarian enterprise Mogyert is offering a newly developed hot-water washing system for vehicles. It likewise originated in teamwork with partners in other socialist countries. [Text] [East Berlin NEUES DEUTSCHLAND in German 4/5 Aug 84 pp 1, 2] 9746

CEMA COOPERATION WITH LDC'S--Datelined Vienna (ADN)--CEMA, according to its deputy secretary Dr Werner Liebig (GDR), intends to expand its economic and scientific-technical cooperation with developing countries. At an international press conference in Vienna, Dr Liebig, heading the CEMA delegation to the Fourth General Conference of the UN organization for industrial development (UNIDO), referred to the steadily rising industrial output of the CEMA states as offering the possibilities for such an expansion. While most so-called development aid from capitalist industrial states pursued purely the business interests of the banks and monopolies, the assistance given those countries by socialist states came without unilateral commercial interests. Dr Liebig announced that thus far the CEMA states had taken part in the construction and operation of more than 5,000 industrial objects in developing countries and trained more than 600,000 workers and technicians from 30 of those countries. They also had set up a total of 160 training centers in 18 developing countries, and 50 more were under construction. The CEMA representative underscored CEMA's appreciation for UNIDO's work and in addition announced negotiations by experts on the accord concluded between CEMA and UNIDO with the aim of strengthening the scientific-technical assistance for developing countries. [Text] [East Berlin NEUES DEUTSCHLAND in German 10 Aug 84 p 5] 5885

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HUNGARIAN VIEW OF BULGARIAN ECONOMIC DEVELOPMENT PRESENTED

Budapest TARSADALMI SZEMLE in Hungarian Nos 7-8, 1984 pp 117-126

[Article by Jeno Barsony: "Further Development of Macroeconomic Management in Bulgaria"]

[Text] Bulgaria has achieved progress of historical importance by means of socialist development. While preserving the traditionally significant role of agriculture, it has succeeded in establishing a prosperous industry. In this area several modern sectors, for example, microelectronics, took root. Reaching its 1300th year of existence, with increased national consciousness Bulgaria has tried to express its independent physiognomy. This has gone hand in hand with a more extensive outlook and self-revelation toward the world. In addition to close relations with CEMA, above all with the Soviet Union, its efforts at cooperation with the most prosperous capitalist countries as well as with the "third world" have come into prominence. On this basis Bulgaria is paying closer attention to the increased requirements in the world economy with respect to technical level and quality. It became obvious that the difficulties and shortcomings emerging in the economy could not be solved merely by economic policy measures, but rather that intensive economic development and accommodation to world market conditions call for unfaltering advancement in macroeconomic management as well.

Characteristic of Bulgaria in the last decade and a half has been macroeconomic management experimentation, first intense centralization, then its abandonment and the investigation of diverse solutions.

The identifying feature of the further development of Bulgarian macroeconomic management is the scheme for dissemination and earliest possible endorsement of the new economic view. The gist of the new economic view is more consistent acknowledgment of the nature of socialism's commodity-producing economy, continued development of independent accounting with market and enterprise elements while maintaining the traditional planned economy. The basic thesis is: in socialism the owner of the means of production is the state, its managers are the working collectives. Consequently, the workers' economic organizations must be run in terms of self-financing, assuring the interest and the responsibility for management as well as acceptance of the workers' initiatives; on the level of

direct producers and brigades, however, assuring the evolvement of certain self-managing features. This concept is an experiment in the (market) blending of directive resource allocation planning with commodity-producing enterprise along with the dominance of planning.¹

The economic mechanism based on the new economic view--after several years of qualified endorsement--was universally introduced in January of 1982, although allowance was made for the unsolved nature of certain important questions (for example, the price problem).² Since then--as the Bulgarian spokesmen state--practical experience has verified the visibility of the mechanism and the soundness of the fundamental principles. On numerous points, however, modification and amplification of rules of law became necessary, especially in the domain of regulators for encouragement of worker collectives.³

The modifications and amplifications take aim at improving the system of planning, financing, wages, granting of credit and pricing, so that by strengthening democracy the rights and responsibility of the enterprise worker collectives and the smaller units (the brigades) increase and so that, most of all, the newer incentives compel them to solve management tasks more efficiently (for example, thrifty utilization, work force reduction, introduction of technical accomplishments, improvement of quality, growth in net foreign currency earnings, etc.).

Double Concept of Plan-Counterplan and Newer Features of Planning

The plan-counterplan dichotomy serves to bring about the union of the principles of directive planning and the new economic view. The analyzed plan determines on the basis of economic policy the chief economic tasks for the economic organizations (integrated factories): the volume of manufacture of key products, the level of profits, the quantity of foreign currency to be gained, or rather the net foreign currency earnings, and the more significant investments; it also guarantees the "allocation of funds" necessary for the plans' fulfillment (primary materials, energy resources). On the basis--and in full knowledge--of these things, the economic organizations themselves work out their concrete plans in light of market conditions and contractual relations and according to their own interests and business concepts. This "counterplan" can transcend the plan commitment; it is meant to stimulate the collectives toward better use of production factors, exploitation of production reserves and imaginative employment of new possibilities.

The background for preservation of traditional planning is the assumption that this is necessary for endorsement of economic policy priorities, for distribution of fundamental resources according to the balance sheet method, for assurance of material and energy supplies for production, for allocation of technical development funds, for macroeconomic coordination of economic activity, and for acquisition of foreign currency revenue necessary for the national economy.⁴

Organization of the economy and the planning method in Bulgaria at present are closely related to the practice of the modernized version of planned economy which was chiefly developed in--and is best known from--the GDR. The subjects of the planning are the large economic organizations, the integrated factories, or rather the megyes' agroindustrial alliances. Up until now the council of ministers determined the tasks planned for them. For the elimination of operational instructions every effort was made to dissociate the specialized ministries from the tasks of determination of plan assignments and detailed management of the economy, and (like the Hungarian macroeconomic management endeavors manifesting themselves in the fusion of industrial ministries) rather the functions of policy enforcement, supervision and technical development were placed in the forefront. In compliance with the logic (and the GDR practice) of official macroeconomic management, however, there has now been a tendency to backtrack in this sphere: in the future, namely, the council of ministers--by decentralizing in a certain respect its planning tasks so far--will distribute the plan to the sectoral ministries, and these will determine the state plan tasks of some economic organizations. Counterplan preparation with the economic organizations (integrated factories) is in full swing, and a greater and greater role in it is earmarked for the enterprises and indeed for the smaller self-managing collectives (brigades).

In connection with the mandatory plan and the freely undertaken counterplan, however, two vital problems arise.

One of them is that the allocations fixed by the plan set limits on the management possibilities; it is possible to implement ideas over and beyond the plan only with resources gained through savings. Although according to the original concept the plan would not permit fulfillment to complete capacity of the economic organization so that a margin for movement remained for the counterplan, upward revised planning is characteristic of the reality of a planned economy. Solving this problem is the target of the newer trend in accordance with which the plan indices in the future are only of an informational character (as in our country after 1968 the plan task merely became "calculative material"); their reality must be revised in the light of these, during the counterplans' preparation. Mandatory state planning indices will only be specified if the counterplans do not "involve" at least the earmarked levels. In such a case the authorized sectoral ministry "must offer help;" in uncovering reserves, perhaps by making additional resources available; should it prove necessary, the requirements are corrected. (This, then, is the well-known case of "plan bargaining.")

The second well-known problem is the planning and curtailment of additional possibilities and reserves uncovered by the counterplan by increasing the severity of plan tasks or prescribed income distribution. According to the official designs, this is a strictly forbidden, indeed punishable offense. Yet it is difficult to avoid this, and even more difficult to enforce the laws, especially with respect to the superior authority on

which the judgment and the readiness to help depend. Therefore, every effort is made to prevent this, so that relaxation of the plan is permitted in every case in which that is otherwise overfulfilled through the counterplan. Thus the plan of the economic organizations does not have to completely fulfill the ministry's complete plan task, likewise the enterprises' plan that of the economic organization, relying on the fact that the counterplans supplement it. In such a way, however, the margin of movement guaranteed for the counterplans is, to a certain degree, a matter of judgment. The ministries and the economic organizations (integrated factories) are obliged to support the enterprises, or rather the brigades which form the basic units of production, in the preparation and implementation of efficient counterplans which assure self-financing, e.e., expansion and technical development as well as growth of the wage fund.⁵

Encouragement of Intensive Management with Production Factors

The logic of regulation of management (intensive development) with production factors is that in the plan--on the basis of standards--the limits are fixed; afterwards the savings are recompensed, but exceeding the limits is penalized with curtailments.⁶ For example, if the enterprise achieves savings in material and energy use according to the state plan task, then half of the saved assets can be utilized: 30 percent goes into the technical development fund, 20 percent into the wage fund (as well as the social and cultural fund). In the event of exceeding the limit, however, the enterprise must pay into the budget a sum corresponding to its full value, in the case of liquid fuel or energy five times that.⁷ The wage fund surplus attained through compensation of savings--according to the regulation--must be applied to remuneration for those workers who actually contributed to it. Ascertaining this, however, according to Bulgarian opinions, often runs into difficulties as a result of the shortcomings of the internal self-accounting. In what manner the savings are attained is not a matter of indifference, because if it is not based on product and production development, then the effort to acquire a surplus can easily lead to the manipulation of prices and product composition, or the deterioration of quality.

With the managers' personal encouragement, every effort is made to achieve better use of fixed assets. The wages of managers and specialists depend on fulfillment of the plan for gross profits, foreign currency income and profit-earning capacity (profits compared with the fixed fund of 100 leva). The target funds of the sectoral ministries are also dependent on the development of the sectoral profit-earnings capacity: in the case of a 1 percent increase or decrease in the profit-earnings capacity relative to the sector, the amount allotted from the budget increases or decreases by 0.3 percent.

Every effort is made with special regulations to improve labor management. In the industrial centers (above all, in the capital city) 50 leva a month from the taxed profits must be paid into the budget after an increase in the work force of every single individual. In the case of service organizations, however, this pertains only to the administrative staff.

New conditions have been specified for regulation of increments in the average wage in order to promote a rise in productivity. Within this, the wage fund savings resulting from a work force reduction are in their entirety at the disposal of the economic organization.⁸ The wage fund savings which thus arise in the brigades can be applied directly to pay increases. On the other hand, the planned size of the social and cultural fund must not be reduced as a consequence of a work force reduction.⁹

Key Issue Is Quality

At a party congress of the Bulgarian Communist Party in March of this year, Todor Zhivkov declared that quality is the key issue for all further development. This is a logical next step in the new economic view. So far, in a planned economy approach aimed at labor savings, an increase in work productivity and extensive quantitative growth, the user value and the quality (which determines demand) of goods have been forced into the background. In the world economy, however, by means of the scientific-technical revolution the rapid development of production forces is taking place which has created new technological procedures and thereby new kinds of product quality.

From the viewpoint of the socialist countries and thus Bulgaria, keeping in step with the new quality requirements is a fateful issue, because this determines world market competitiveness. Bulgaria is also finding that in its foreign trade the problem of quality standards limits the marketing possibilities (and hereby the exploitation of newly created industrial capacities); this manifests itself, moreover, in the deterioration of exchange rates. In connection with this the quality requirements within CEMA are rising as well.

With the development of socialist society the demands are also intensifying: after the satisfaction of basic needs, the population wants to buy good-quality and modern articles of consumption; only such have a stimulating influence on greater output. Nowadays, modern and higher quality (having user value) goods are not only more sought after (attractive) but also cheaper into the bargain; expensive raw material and energy are squandered in the production of poor-quality goods.

At the party congress, Todor Zhivkov identified the four conditions and intersections of quality development:

1. Reconstruction and modernization of the economy; quicker introduction of technical accomplishments; increase in emphasis on the scientific basis and experts; in connection with this, preference for the creation of small and medium-sized factories which promote modernization and require comparatively smaller investment.
2. An increase in the responsibility and interest of workers as the managers of public property, and within this, an increase in the role of the brigades and smaller units based on self-accounting; the counterplan as a surplus aiming at better quality and guaranteeing it in contrast to the plan commitment which prescribes the minimum tasks; wages according to output.

3. Increased enforcement of the commodity-money relations; making use of market competition and value judgment; more direct connection of the producers with the market in the interest of competitiveness and accommodation to demand; recognition of quality in the price, increased attention to the international prices.

4. Quality in the social sphere is connected with democratic practice and antibureaucratic conduct; linked to this is enforcement of the principle of choice and competition in the assignment of leaders.

Worthy of attention in Todor Zhivkov's standpoint is the idea that one is allowed to regard the plan as fulfilled only when this occurs with suitable quality. In the interest of this, attention to planning, technological, contractual, labor, financial and foreign currency matters must be increased. The legal mechanism and the role of supervision and arbitration courts must be improved.

The party congress provided a long-range quality improvement program. Moreover, the decision was made to establish "quality regulation councils" with the participation of consumers and the general population.¹⁰

Quicker Introduction of Technical Accomplishments

One part of the economic mechanism modification directs the attention of leaders and collectives toward technical development. On every level the first leader—the minister, the integrated factory's managing director, the enterprise manager—is made directly responsible for supervising the introduction of technical accomplishments and the improvement of quality. Higher wages from the fund for introduction of new products or from the technical development fund can be given for the period of implementation to the workers and the leaders directly involved in product and production development. For attainment of an innovation, depending on the profits resulting from it, a bonus can be given from the untaxed profits. (Bonus award, its justification and amount, plus the subjectivity and conflicting interests surrounding it will no doubt cause many disputes.)

Additional stimulating measures are, for example, that without presenting a dissertation a scientific degree can be earned by those who have introduced original scientific accomplishments or who have contributed to the development of such domestic and foreign experiences. The youth alliance announces a competition for innovation, and swift implementation of the winning solutions is encouraged. Banks' preferential credits can be offered for the introduction of technical accomplishments (with a maximum interest-free period of 18 months).

Further Development of Investment Mechanism

The mechanism requirements connected with investments are generally grouped around three main problems: investment policy trend (structure policy), avoidance of overdistribution and elimination of protracting investments.

In Bulgaria the traditional tendency of socialist industrialization prevails: of common occurrence are major heavy-industry investments which in the world economy belong to the sphere of crisis sectors. In the future, however, they wish to take into account the demands arising from the global economic situation as well as the restricted investment capital possibilities. From now on, they want to apply three quarters of the resources available for investment to the modernization and reconstruction of production. Moreover, they emphasize (like the Japanese or rather the Yugoslav aspirations) the creation of small and medium-sized factories; in this way, with smaller investments, more modern and more quickly remunerative capacities will come into being. These encourage, through competitive relations, a rise in the technical standard, greater tranquility in cooperative deliveries, as well as better fulfillment of the general population's needs.

The principle of self-financing prevails in investments (as it does for the GDR): the economic organizations are made responsible for the planning, preparation and implementation of investments; in this way an attempt is made to see to it that those who have a managerial interest are in on the factory development and the rise in technical level. The enterprise investment possibility, however, through the enterprise result, depends on the support of the higher macroeconomic management agencies, because, on the one hand, the investment and technical development allocations are received from them and, on the other hand, in the final analysis, they fix the prices and the curtailments so that the way is open for self-financing.

Allocation management prevails in the investments: the Council of Ministers distributes the sum approved by the parliament among the sectors (ministries) and the megyes (councils). This must be applied primarily to nationally significant investments scheduled, approved and emphasized by the Council of Ministers. The remainder can be used in three ways at the discretion of the ministerial agencies (the National Bank belongs among them) authorized to make decisions: through competition it is issued to the projects considered most favorable, it is applied to investments carried out with their own resources and initiated by the economic organizations (integrated factories), or it is held in reserve for smaller investments which become necessary or which present themselves in due course. The situation is similar with regard to the nonproductive sphere; for distribution in this area, along with comparison of the economic criteria of public utilities, the degree of participation of the economic organizations and the councils with their own resources is taken into account. (The plan is to employ this new method of distribution of funds after 1985.)

The investors are the organizers and coordinators of the entire investment process; every effort is hereby made to see to it that the investments come to fruition as soon as possible and on a modern technical level. As in the GDR, the enterprises are urged to carry out modernization domestically. The goal is for the remuneration of planning and preparatory work to take place not in accordance with the investment's value but rather with the criteria of the investment's operational results, so that the planners become interested not in the project's costliness but in the attainable technical parameters.

Various incentives have also been added to complete the investments according to schedule. The economic organizations and the enterprises must pay from their taxed profits into the state budget 2 percent of the price of the investment goods provided in the plan and the concluded contracts and not delivered on schedule. This failure to deliver the projects must be taken into account in determining the wages of the leaders responsible for the delay. The wages of the leaders and specialists whose fault it is the investment deadline is not met must be reduced by 20 percent. The interest—during the period of delay—of the investment credits of the projects not put into operation on schedule must be paid not from the technical development fund but from the investing enterprise's (or the integrated factory's) profits after payment of taxes. The investor may reach an agreement with the primary contractor to pay a premium for quicker completion of the project, for delivery ahead of time. This sum may be sent directly to the wage fund for remuneration of the individuals instrumental in shortening the investment. (If the project is put into operation at least 30 days before the fixed deadline.)

Incentives and Sanctions in Connection with Quality

By means of the economic mechanism the desire is to apply more effective stimulation, commitment and economic pressure with regard to the ministries, the economic organizations (integrated factories), the enterprises and the brigades in the interest of improvement of quality. The basic logic behind this: better quality—higher prices—greater profits—and hereby an increase in the wage fund and the permitted average wage. Thus the condition for success of this profit stimulation is that the prices increase on the basis of output and quality. In this way one strives to make it possible for the enterprises to reach a mutual agreement on higher prices or to pay a premium for the delivery of goods having a user value better than standard.¹¹ It is noteworthy that a premium is paid from the state budget for products rated as excellent.

In the interest of dissemination of the quality approach it is specified that the quality requirements must be enforced in enterprise wage regulation and in wage distribution (according to the concrete local conditions). It must be regarded as a fundamental principle that wages according to classification may only be paid for work (product) of suitable quality. The brigade workers' and specialists' contribution to quality development and their responsibility for the quantity of complaints and shoddy work must be reflected in their wages. The aim is to make the producing brigades responsible for not accepting materials and components of poorer quality (at best, on orders from the leadership, which relieves them of responsibility). If the product's quality improves, or if substandard work decreases, their wages can be increased by a part of the attained result; in the case of quality deterioration, however, their wages can be reduced. It is not permissible to pay wages for substandard work and furthermore, wages must be reduced by the value of squandered materials and energy.

According to the rules of law, in the distribution of the wage fund a fraction must be set aside for the special remuneration of workers who contribute directly to the improvement of quality. Despite the sound basic principle, this kind of stimulation by awarding premiums is not, of course, always effective, because it conflicts with efforts toward equality.

The wish is to attain quality control independence so desirable that the superior leaders appoint its director. The wages of quality controllers is made dependent on the products' quality level and the number of complaints.

Contracts between enterprises want to attach increased importance to fulfillment in accordance with quality, variety and deadline.¹² The enterprises bear responsibility for failure to carry out what is included in the contract, and they must also compensate for damage caused and for the loss of planned profits. Damages arising from complaints about quality must be covered from the enterprise's wage fund or its other funds. The practice, however, in Bulgaria is that because of the monopolies the customers who are attended to rarely complain and are even willing to pay the regular price for a commodity of poorer quality (which they then pass on to their customers). For this reason the rule of law empowers the State Technical Development Committee and other state agencies to reduce the price in favor of the consumer in the event that poorer quality is established.

Programs are being prepared for suspension or restriction of manufacture¹³ of products which are obsolete, old-fashioned or have become uneconomical. If implementation of these programs is delayed (which is probable in the case of a deficit economy), a deduction--specified by the finance minister--from the price of the obsolete goods must be made and paid into the technical development fund.

Producer-Consumer Relations and Prices

The development of market relations in Bulgaria is just starting; the conditions are now being created for gradual reorganization of "material-technical supply" on a commercial basis.

The essence of the efforts of the new commercial line of direction is the development of more direct relations among the producer enterprises, the economic organizations and the consumers on the domestic market.

The price of goods must be in line with the commodity's quality and technical standard as well as the use obtainable in various marketing directions. In the interest of enforcement of market balance, the price of commodities and services must be reconciled with the economic consumer organizations. Comparative indicators must be made available.¹⁴ Prices calculated on the basis of norms are used widely--especially in the catering trade. The prices make it possible for flexible development according to seasonal character; consequently, the retail organizations can reduce the price of some commodities.

One thing, of course, remains unclear: how--in contrast to the arbitrary pricing (or rather the official price determination)--can the market value judgment be enforced, how can the prices have the effect of guiding the economy and stimulating better output, or how is it possible to avoid further passing on of costs?

In the stimulation and evaluation of the activity of commercial organizations and brigades, the desire is to make market satisfaction the primary criterion with regard to fulfillment of the commodity trade plan. The local council presidents by means of a resolution can reduce the wages of workers in commercial establishments and service companies by 20 percent in the case of offenses of the service culture. (This, of course, can have an effect in the direction of cultural improvement, but also of further deterioration of service.)

Further Development of Foreign Trade Regulation

In foreign trade it is expected that the further development of the mechanism will better mediate the world market requirements for production and stimulate the growth of world market exports and the attainment of a higher quality standard necessary for it. Up until now in Bulgaria only economic organizations (integrated factories) have been authorized to organize and pursue foreign trade activity. The economic organizations should have sent their foreign trade results (information and acquired currency) to their enterprises which produce for export, but in the course of this the enterprise interests often sustained an injury. What also had to be taken into account was that export reserves resulted in some enterprises; moreover, packaging, processing, form designing, etc., which determine the product exportability depended on their interest. In the wake of further developing the mechanism enterprises can also receive the right to carry out foreign trade activity from now on.

The organizational forms of foreign trade transaction are the commission-agent connections with a foreign trade organization, or the foreign trade company--in various combinations with other enterprises or with independent foreign trade organizations. Selection of the organizational form of foreign trade activity must be reconciled with both the authorized department ministry and the foreign trade ministry.

Aside from the form of transaction of foreign trade, the foreign trade organizations conducting it must reconcile the prices and the other business conditions with the enterprises and the economic organizations. If these are detrimental to the producer, the foreign trade organization must pay compensation--in foreign currency as well as in levs--for the losses sustained. In order to encourage efficiency in foreign trade activity--in accordance with the new rules of law--in the case of both exports and imports the foreign trade organization's earnings must be increased or reduced by at least 5 percent of the difference between the planned prices and those actually obtained. If out of other considerations the authorized state agencies (for example, during commodity trade or price agreements within CEMA) or the economic organizations enter

into an agreement under conditions (prices, business criteria) which harm the interests of the enterprise or the worker collective, they must take measures for compensation. In the case of failure to do this, the regulations provide the possibility for calling the offenders to account.

The economic organization pays a customs duty on nonsocialist imports; the Bulgarian customs tariff rates differ, however, from one country of origin to the next. Where it obtains the commissioned commodity from and thus how much duty must be paid on it depends to a large degree on the foreign trade organization. Therefore, in the future, the desire is to create interest in imports as free from customs duties as possible, so that the foreign trade organization must pay at most 5 percent of the customs duty. (The exact proportion of the contribution is fixed in the agreement.)

Imports from nonsocialist countries are not specifically restricted in Bulgaria, nor are exports, but alongside planning of foreign currency earnings, the foreign currency balance (net foreign currency earnings) has been made into a mandatory plan task for the economic organizations and the enterprises.¹⁵ On this basis the import limits have come to an end. The enterprises and the economic organizations, however, are obliged to guarantee to the state the foreign currency resources earmarked in the foreign currency balance, either by a reduction in their use of foreign currency or at the expense of their own foreign currency funds.

The chief means of stimulating nonsocialist exports is the so-called foreign currency fund. In the case of fulfillment of the foreign currency earnings plan, 1 percent of the total foreign currency obtained is remitted to it. Over and above this, the greatest degree of stimulation is given--in the case of fulfillment of the foreign currency earnings plan--for import savings: in this case, namely, 100 percent of the improvement in the foreign currency balance ends up in the foreign currency fund. But if in addition to maintenance of the foreign currency balance one succeeds in surpassing the foreign currency earnings plan, 70 percent of the foreign currency earnings above the plan goes into the enterprise foreign currency fund. If, however, one falls short of the foreign currency earnings plan, the wages of the responsible enterprise leaders and experts must be reduced in the amount of the shortfall, but not by more than 20 percent. (Accordingly, experts who know the situation well are becoming interested in keeping the foreign currency earnings plan at a lower level so that, whatever happens, it can be fulfilled and easily overfulfilled.)

The enterprises' independent foreign currency fund serves a self-accounting purpose so that this cannot happen: the economic organization (integrated factory) deprives the well-functioning enterprise of the foreign currency earnings acquired in the counterplan's framework and redistributes it to those who did not participate in its acquisition. The enterprises, however, yield a fraction of the sum accumulated in their foreign currency fund--according to the standard--to the economic

organization, the sectoral ministry's technical development fund, or the megye council's foreign currency fund.¹⁶ The enterprises participate in a special incentive for the foreign currency yielded to the state: a premium is received for every foreign currency lev gained by conversion of the dollar with the established foreign currency multiplier (in practice, one lev for every dollar yielded). Ninety percent of this goes into the enterprise's technical development fund, 10 percent into the wage fund, and it can be applied toward special compensation for those playing a role in the acquisition of the surplus foreign currency earnings. An additional new feature which increases involvement is that the enterprise's foreign currency fund resources, which are kept on separate bank accounts, bear interest in accordance with the market conditions.

An effort is made to strengthen the involvement of the foreign trade organizations' workers in foreign currency output by making the wages of the directors and workers at foreign trade offices dependent on the foreign trade results of the enterprise or integrated factory to which it is connected.¹⁷

The enterprises and the integrated factories are encouraged to make more efficient articles or solve foreign trade policy tasks by sharing in an export premium--on the basis of standards--from the state budget which is relegated to distributable income. In the foreign trade ministry an export-stimulating fund is being established to directly compensate some individuals for the fulfillment of stressed export tasks. Various special awards can be paid from this, for example, for promoting the attainment of higher export prices or savings on imports.

Up until now some economic organizations have received funds fixed at an absolute amount for exports aimed at the socialist countries. From now on these funds will be of a standard character (they will be given as a percentage of foreign currency earnings) and with a gradually decreasing nature. In this way one wishes to achieve an increase in efficiency in accordance with domestic production costs or its development in accordance with the export profile.

No doubt there is still a lot to be desired in the area of ascertainment and enforcement of foreign trade efficiency, and in the interest of this, further investigations and measures are necessary. Thus, for instance, the reality of foreign currency multipliers will be reviewed so that they better reflect the international reception of commodities and the changes which have turned up in the structure of foreign trade. For the time being, namely, the incentives are merely linked with the quantity of foreign currency acquired, and pushed to the background is the domestic production cost.

Improvement in the foreign trade situation of the country is due to the fact that the banks are able to offer short-term foreign currency credits for the execution of foreign currency multiplier export undertakings, or the fact that interest-free credit from the foreign trade ministry's commercial policy fund can be offered for the importation of raw materials

and components not earmarked in the plan. The enterprises are given incentives to develop and manufacture at an accelerated clip new articles meant for export. Hopefully these incentives can be expanded to import-saving developments.

The market and enterprise ambitions of the new economic view and the modern requirements for competitive quality on the world market--as an initiative coming from above--are spreading only slowly and with difficulty in Bulgaria. They are becoming more widely known and recognized, breaking a trail in relation to the traditions, illusions and habits which will continue to receive nourishment from the inconsistencies of regulation (mechanism) and from methods which conform to the old concept.

It is more and more obvious in Bulgaria, however, that the efficiency essential for the economic development cannot be attained by the old method. The onward rush of history revealed itself in the emphatic warning at the March party congress that further procrastination is intolerable.

FOOTNOTES

1. For an explanation of the theoretical character of this dichotomy, see T. Jordonov, "Az uj gazdalkodasi rend es mechanizmusa a Bolgar Nepkoztarsasagban" [The New Economic Order and its Mechanism in the Bulgarian People's Republic], KOZGAZDASAGI SZEMLÉ, 1983, pp 7-8.
2. For a review of the ambitions announced at the start of 1982, see Jenő Barsony, "A gazdasagiranyitas tovabbfejlesztése az NDK-ban és Bulgariában" [Further Development of Macroeconomic Management in the GDR and Bulgaria], TARSADALMI SZEMLÉ, 1982, p 7.
3. These are summarized by a revised collection of rules of law published in a large edition at the beginning of this year "A gazdasagi mechanizmus szabalyzata" [Regulation of the Economic Mechanism].
4. It differs from the Hungarian macroeconomic management system to the extent that since 1968 it has followed a macroeconomic management practice within the planned economy of a small country which, without dismantled plan instructions and resource allocation, attempts to achieve fulfillment of economic policy requirements through regulated market relations, and thus through regulatory measures.
5. The situation in the planning domain will thus be similar to the one in the GDR, where the integrated factories themselves likewise--on the basis of the state plan tasks--prepare their plans by relying on the suggestions and offers of the worker collectives as well as on the contractual commitments.

6. This is unequivocally the logic of directive planning and independent accounting, which, instead of an independent economy aimed at the market, rather urges manipulation among norms.
7. Thus expenditures in Bulgaria are not on an equal footing: altogether only some 10 percent of the material and energy savings can be applied to wage increases.
8. In Bulgaria one does not have to fear unemployment, which may be a consequence of wage fund management.
9. Encouragement of efficiency according to production factors--material and energy consumption, use of fixed assets, labor force management--corresponds to the practice of traditional planned economy. Likewise, there are ambitions in this direction in other CEMA countries (for example, in the GDR).
10. We note that the approach to quality in a broader interpretation and in connection with modernness and world market competitiveness also came into prominence during this time in other socialist countries, for example, in the GDR, and the Bulgarian approach--with respect to its trend--shows affinities with the April 1984 standpoint of the Central Committee of the Hungarian Socialist Workers' Party.
11. We note that, according to experience, such a possibility under deficit economy conditions, when the customer is in a defenseless position, often leads to a monopolistic price increase. Moreover, such a price increase makes the plan fulfillment appear greater than it actually is. Therefore, use of the quality premium was abandoned, for example, in the GDR in 1983.
12. Similar efforts have appeared--on the basis of problems arising from plan instruction supervision--in the Soviet Union and the GDR, for example.
13. The necessity for such programs at the outset indicates the inadequate success of profit involvement and market relations.
14. These latter principles refer, without further explanation, to the comparative pricing method used in the GDR for new products.
15. This was introduced earlier in Romania.
16. This kind of distribution of acquired foreign currency--with the concomitant problems--is characteristic in Yugoslavia.
17. Linkage of the foreign trade workers' income to the integrated factory's result is also characteristic of the GDR.

12327

CSO: 2500/563

NEW DECREE ON FINANCING R&D EXPLAINED

AU261440 [Editorial Report] Prague RUDE PRAVO in Czech on 24 September carries on page 5 a 1,400-word interview given by Engineer Stanislav Sourek, CSSR deputy minister of finance, to RUDE PRAVO staff journalist Vladimir Cechlovsky. The interview, the date and venue of which are not given, is published under the headline "Another Step Toward Better Management." It deals with "new principles of financing noninvestment outlays for research and development" that have been adopted to ensure "greater regularity and flexibility in financing."

Asked to list some of the changes, Sourek says: "Aside from introducing the transferability of remaining resources in the technological development funds to the subsequent year, the new elements include, for example, the financing of all forms of research and development from a single source. The organization will itself decide whether to opt for its own research or whether to procure the result of research from another organization or, for example, to purchase a license. Research and development will in most cases be financed exclusively by the future user of its results. This measure is aimed at enhancing the responsibility of these organizations for the resources spent."

According to Sourek, the new fiscal measures will also provide for "pressure" on the enterprises that should encourage them to apply the results of their research. Moreover, if it is ascertained that "the solution of projects that are financed from the state budget does not take a satisfactory course and the set parameters will not be attained," a newly adopted principle provides for "phasing out the financing of these projects."

Explaining other changes introduced by the new regulations, Sourek says: "Some measures will work toward speeding up the application of the results of research. In contrast to past practices, it will be possible, for example to finance from resources that are earmarked for technical development machinery and equipment, prototypes, and pilot and test plants built within the framework of the fulfillment of research and development tasks, even though these are investment expenditures. A possibility is also being introduced, provided that the supraordinated central bodies give their approval, to finance from resources that are earmarked for technical development even some investment projects serving the immediate application of the results of research and development. Another novelty is the principle that organizations of the research and development base will be able to purchase from their operational resources machinery, apparatuses, and other

forms of equipment." In addition, "the existing limits in the categorization of investments are being abolished. A united investment fund will be introduced for financing all investments of economic production units and enterprises." According to Sourek, this is designed to "enhance the powers and responsibility of economic production units and enterprises" in passing decisions on investments and their financing.

Asked about the formation of the economic production units' and enterprises' technical development funds, Sourek then says: "These funds will be formed to the debit of costs and according to long-term norms that will express the exactingness of individual branches and sectors in terms of technical development. This will promote innovations and create interest in the results of technical development. Failing this, the enterprise will only inflict an additional burden on its costs and financial management. If economic production units and enterprises attain favorable results and higher profits in a given year, they will be permitted to transfer part of these profits to the technical development fund as an allocation in excess of the norm." As the indicator of profit alone is not enough to determine the contribution of research and development to the economy of an enterprise, Sourek goes on to say, a so-called "factor analysis" will be introduced to calculate the exact impact of research and development on the profits of an enterprise. This method, which has reportedly been "successfully used" by the Sigma Olomouc economic production unit for a number of years and that is currently being tested by a number of other economic production units, should be introduced across-the-board at the beginning of 1986.

Speaking in his concluding reply about the date on which the remaining newly adopted measures will become effective, Sourek says: "The new Decree on Financing Noninvestment Outlays for Research and Development has already been prepared and we estimate that it will go into effect at the beginning of the next year. A number of measures--such as the formation of technical development funds on the basis of norms or the partial transferability of remnants in technical development funds [to subsequent years]--have already been applied in five industrial branches since last year."

CSO: 2400/7

STATE OF HEALTH SERVICES CRITICIZED

Prague RUDE PRAVO in Czech 17 Aug 84 p 1

[Excerpt] Health services are a very sensitive sector. To be sure, this sector touches upon that which is most important to everyone--their health. It would be possible to show that expenditures for health services are continually growing; for example, expenditures for the management of the health services run by national committees have increased from 10 billion in 1972 to 23 billion in 1982. Unfortunately, this growth was not induced only by the growth of the health services, but also by the constant rise in the cost of providing health care management, health care technology, medicines and health care materials. Simply stated, health care is becoming ever more expensive.

The most serious problem is the corruption of the principles of ethics in health care. I am referring to bribery, protectionism, and also the unseemly and insensitive conduct of physicians and health care workers toward their patients. And when, for example, bribery is continually mentioned in connection with the health care system, even if we concede that everything is not as bad as people say, this is a phenomenon which should be entirely foreign to socialist health care. The fact remains that we have not managed to eliminate bribery and corruption. To be fair, as we try to solve this problem we must not forget all the helpful, honorable, honest and devoted health care workers who constitute the overwhelming majority, and also the party, union, and youth organizations, plus teams of socialist workers who contribute their share. In addition to this, however, we must abolish the factors that make bribes and favors possible.

There are a great many of them. Although we are constantly devoting attention to the waiting time required for examination and treatment by a specialist, inadequacies persist. At the diversified clinics this occurs especially at the optometry department, in connection with prosthetic work in oral surgery and also in some other cases which require examination by a specialist. In cases requiring surgery, around 40 percent of the patients who have been scheduled for surgery wait on the average more than a month to have an operation. If we seek the common causes we find a lack of space, a lack of necessary instruments, and a lack of specialists. A person who does not want to wait seeks other means and usually finds someone who will assure him an earlier admission and treatment. For a bribe. Many times the person taking the bribe has no direct connection with the health care system, but simply knows someone in a specialized department. Appeals to citizens not to support

these negative trends do not, realistically speaking, have much hope of success. Bribes are mentioned only generally and only seldom do we manage to investigate actual cases and draw from them the necessary conclusions.

The Ministry of Health and the national committees, which exercise control over health care measures within their districts, cannot alone ensure health services in their fullest range. Modern medicine cannot ignore health care technology, modern drugs and the requisite health care facilities.

But what is the real situation? Hardly any structure destined for health care is finished in time, that is, by the deadline. The construction of diversified clinics and hospitals several years late is accepted almost as a matter of course. Indeed, it is precisely the lack of hospital beds in surgical wards that causes the long waiting periods for elective surgery.

Certainly, for example, the construction of medical institutions for the chronically ill, which is by no means challenging as far as construction work is concerned, in many cases has solved at least in part and sometimes even completely the problem of the lack of room in hospitals. Long-term bedridden patients and those confined in clinics at their workplaces would give up these beds, and then they could in fact serve those for whom they were intended. It would also be better for the sick in medical institutions, because the health services there are adapted to their needs. Nevertheless, the construction of institutions for the chronically ill is once again behind schedule.

The electronics industry, with its enterprises Chirana and Tesla, which are the main producers of Czechoslovak health care technology, is deeply in debt to our health services. No branch of the industry, which is responsible for the delivery of health care supplies, raw materials for medicines and similar things, has a cleared account.

We are entirely dependent on imports for many items, and we shall continue to be so in the future. In addition, the imported technology is not always well managed. The efforts made to obtain the newest technology in a particular district, without regard to whether it will be used sufficiently, should be strictly abolished. Health care technology is very expensive. It is paid for by the state treasury and must for this reason serve as many sick people as possible, without regard to where they live.

Responsibility for health care belongs to the national committees in individual districts and areas, but also to the two ministries of health. Sometimes it is as if this were forgotten. And no single country has everything that is available in the world; we do not have everything, either. It is therefore all the more necessary to improve the management and organization of work, to continue consistently to fulfill tasks and above all to have them completed by the deadline. In health care it is not possible to deceive anyone, because on the one hand the citizens bear witness every day to its quality and on the other hand to its defects.

GERMAN DEMOCRATIC REPUBLIC

CONTINUED ECONOMIC GROWTH FOR JULY, AUGUST DETAILED

July Industrial Production Figures

Frankfurt/Oder NEUER TAG in German 7 Aug 84 p 1

[Text] As the result of outstanding work achievements by the working people in the 35th year of the GDR, July was also marked by high economic growth and increased efficiency. The produced national income, according to provisional statistical data, by the end of July had risen by 5.1 percent.

Net production in the industrial ministries' sector rose by 8.2 percent. Labor productivity climbed by 7.4 percent. Costs per M 100 of output were reduced by 2.6 percent.

Industrial commodity production in the industrial ministries' sector grew by 4.3 percent. The planning lead has risen to M 2.3 billion.

High growth continues in consumer goods production. In finished products, 6 percent more was made available for the population than in the same period last year. That made possible a considerable growth in the retail trade turnover. It rose by a total of 4.9 percent.

The various industrial and building sectors by the end of July recorded the following net production and labor productivity growth:

	Net production	Labor productivity in percent
Coal and power	9.2	7.6
Ore mining, metallurgy, potash	7.7	7.3
Chemical industry	7.6	7.4
Electrical engineering and electronics	14.6	13.0
Heavy machinery and industrial plant construction	7.8	7.5
Machine-tools and processing machinery	8.9	8.5
General-type machinery, farm machinery and vehicles	5.7	4.4
Light industry	9.0	9.3
Glass and ceramics	7.0	5.7
Bezirk administered industry and food industry	8.3	7.2
Geology	15.4	13.1
Building trade	8.6	8.4

By the end of July, 117,141 apartments had been newly built or modernized. That has improved housing conditions for 350,000 citizens thus far this year. Building trade net production grew by 8.6 percent, its labor productivity, by 8.4 percent.

In agriculture, livestock products sold to the state rose by 8.9 percent, milk, by 6.5 percent. In eggs, the plan was exceeded by 74 million.

Transport services fully met economic demands. Railway and inland navigation increased their services by 2.7 percent. The rationalization of transportation continues. That further reduced its specific expenditures.

The bezirk administered industry recorded the following net production and labor productivity growth:

	Net production	Labor productivity in percent
Capital Berlin	12.4	9.0
Cottbus	5.5	4.4
Dresden	7.1	6.9
Erfurt	8.0	6.8
Frankfurt/Oder	4.3	2.1
Gera	7.4	6.4
Halle	5.2	4.5
Karl-Marx-Stadt	7.0	6.2
Leipzig	8.2	7.8
Magdeburg	11.3	10.2
Neubrandenburg	6.3	4.5
Potsdam	8.2	6.0
Rostock	10.2	8.0
Schwerin	11.2	8.4
Suhl	7.3	6.5

August Industrial Production Figures

East Berlin NEUES DEUTSCHLAND in German 7 Sep 84 p.1

[Text] According to statistics, the highly dynamic performance development and economic efficiency of the GDR in its 35th year also continued through August. Impressive feats of labor were performed by nearly 150,000 urban and rural brigades and work collectives in response to the Joerg Harder youth brigade appeal of Berlin under the slogan, "Optimum Achievements for the World Peace Day."

By the end of August, according to provisional data, the produced national income had risen by 5.1 percent.

Net production in the industrial ministries' sector rose by 8.5 percent, labor productivity, by 7.5 percent. Costs per M 100 of commodity production were reduced by 2.7 percent.

The growth of industrial commodity production in the industrial ministries' sector came to 4.3 percent. The planning lead has been expanded by another M 2.7 billion.

A high rate of growth in consumer goods production continued. Industry made available to the population finished products via the plan at a level of M 970 million at retail sales prices. That increased the retail trade turnover by 5.2 percent.

Through the new construction and modernization of 134,785 apartments, housing conditions were improved for 405,000 citizens.

In the building trade, net production rose by 8.3 percent and labor productivity by 8.1 percent.

In agriculture, livestock products sold to the state rose by 8.9 percent, milk, by 6.7 percent. The eggs produced exceeded the plan by 112 million. For grain, according to provisional data, the average hectare yield came to 43 decitons. Thereby the biggest grain harvest was brought in thus far in the GDR.

Transportation services of the railway and of inland navigation increased by 2.9 percent. Transportation expenditures were reduced.

The various industrial and building trade sectors by the end of August recorded the following net production and labor productivity growth:

	Net production	Labor productivity in percent
Coal and power	8.9	7.4
Ore mining, metallurgy, potash	7.8	7.3
Chemical industry	8.0	7.8
Electrical engineering and electronics	14.6	13.0
Heavy machinery and industrial plant construction	7.4	7.2
Machine-tools and processing machinery	8.8	8.4
General-type machinery, farm machinery and vehicles	6.6	5.3
Light industry	9.1	9.4
Glass and ceramics	7.0	5.7
Bezirk administered industry and food industry	8.4	7.8
Geology	16.2	13.8
Building trade	8.3	8.1

The bezirk administered industry recorded the following net production and labor productivity growth:

	Net production	Labor productivity in percent
Capital Berlin	13.4	10.6
Cottbus	4.4	3.5
Dresden	6.8	6.7
Erfurt	9.3	7.9
Frankfurt/Oder	5.6	3.3
Gera	7.0	6.1
Halle	6.3	5.6
Karl-Marx-Stadt	7.4	6.4
Leipzig	7.5	7.2
Magdeburg	11.7	10.5
Neubrandenburg	6.2	4.2
Potsdam	9.0	6.6
Rostock	8.8	6.6
Schwerin	10.7	7.5
Suhl	6.9	5.5

5885

CSO: 2300/664

BRIEFS

PROTOCOL SIGNED WITH VIETNAM--Hanoi--A protocol on commodity shipments between the GDR and the Socialist Republic of Vietnam in 1985 was signed on Friday in Hanoi. In accordance with the long-term trade agreement for the time period 1981 through 1985 and the provisions of the GDR/Vietnam economic committee for further expansion of economic cooperation, it foresees a significant increase in trade between the two countries. Among other things, the GDR will ship machinery and equipment for the textile and polygraphic industries, trucks, products in the manufacture of scientific equipment, medical equipment, fertilizers and chemical products. Vietnam's exports to the GDR comprise products in agriculture and forestry, including natural rubber, and products in the traditional arts and crafts. The industrial cooperation in the area of the textile industry will be continued according to plan. In the framework of this cooperation, the GDR will, among other things, receive protective work clothing and other work clothes. Also to be continued are GDR shipments for various Vietnamese industrial projects now under construction. The protocol was signed by the deputy ministers of foreign trade of the two countries Eugen Kattner and Nguyen Tu, Tran Guynh, deputy chairman of the Vietnam Council of Ministers and chairman of the Vietnam section of the GDR/Vietnam economic committee, received Eugen Kattner for a discussion on the development of economic cooperation and trade relations in the coming years. Dr Hermann Schwiesau, extraordinary and plenipotentiary ambassador of the GDR to Vietnam, took part in the discussion. [Text] [East Berlin NEUES DEUTSCHLAND in German 25/26 Aug 84 p 6] 9746

PROTOCOL SIGNED WITH MONGOLIA--Ulan Bator--A protocol on trade and a payments system between the GDR and the People's Republic of Mongolia in 1985 was signed on Monday in Ulan Bator by the representatives of the foreign trade ministers of the two countries Eugene Kattner and Nadmidyr Bawuu. In conformity with the long-term trade agreement for the years 1981 through 1985, there will be a further increase in reciprocal commodity shipments next year. The GDR will ship to Mongolia machinery and equipment as well as products in scientific equipment manufacture and in the chemical and light industries. Among other things, it will receive from Mongolia mining products, furs, wool, leather, carpets and other goods. Participating in the signing were Shamsrangijn Dulmaa, Mongolian minister for foreign trade, and Heinz Bauer, the GDR ambassador to Mongolia. Eugen Kattner and Tschiedog Dol, deputy chairman of the Mongolian State Committee for Foreign Trade Relations, signed an additional agreement on cooperation in the reconstruction or further expansion of the meat and canning combine in Ulan Bator and the "Ernst Thaelmann" state farm in Bornuur, respectively. [Text] [East Berlin NEUES DEUTSCHLAND in German 7 Aug 84 p 2] 9746

TUNGSRAM TO LOOK INWARD FOR SOLUTION TO FINANCIAL PROBLEMS

Budapest NEPSZABADSAG in Hungarian 25 Aug 84 p 5

[Interview with Karoly Demeter, director general of Tungsram Co. by Katalin Borsanyi, reporter: "The Hard Battles of Economic Recovery"]

[Text] It is brighter but not sufficiently glowing yet. The pun comes naturally with respect to the economic situation of the enterprise which is now again known under the internationally registered trademark Tungsram although it has been known domestically for many years as United Incandescent. Last year's events count as a watershed in the life of the company. Namely last year, the financially floundering large enterprise was rescued, through 1985, by the State Planning Committee under the condition that a strict internal program of action be adopted which would rapidly stabilize the management of Tungsram. Recently, at the supervisory committee session of the large enterprise, the council of experts consisting of representatives of the highest authorities and of the ministries involved concluded that the efforts of the past one year were fruitful. Last year, Tungsram was again managed at a profit--even if a modest one. It increased its capitalist export and improved its production efficiency. It was also confirmed that these were achieved using leadership and organizational methods which still appear unusual to many. We discussed the mode and effects of the measures taken so far, and the directions of progress with Karoly Demeter, director general.

"...in a short time, we were capable of changing..."

[Question] Let us settle right at the beginning: among the short-range goals, which were the ones successfully achieved and which were not?

[Answer] The most important thing: in contrast to the 700 million forint losses in 1982, we made a 300 million forint profit in 1983. Although such a profit is still very low compared to our conditions and possibilities, nevertheless, it indicates that within a relatively short time we were able to halt the

unfavorable process and could change. In addition to central aid, a great role was played by the reestablishment of unified management within the large enterprise and by the fact that we were able to gain the support of the workers for our measures which sometimes even included altogether unpopular steps. In the judgment of the highest authorities, but also according to our calculations, the improved results were due--about half and half--to the central fiscal measures on the one hand, and to the significant collective assumption of excess burdens and to the changing work style of the entire enterprises on the other. Through expanded production and better efforts at foreign marketing our income from sales has increased and reached 8.8 billion forints. Our socialist export has increased by 8.7 percent and our capitalist export by 11.3 percent. The value of the latter was \$96 million last year. But I do not want to suppress that, unfortunately, the profitability of the export was still low, our cost management is not sufficiently tight and, in part also because of the disturbances in material supply, there is still no rhythm to production and our productivity is also greatly behind the level that can be expected internationally.

"...we have increased the autonomy of the factory units..."

[Question] You had worked out various plans for making production more organized and economical and for improving competitiveness. But the majority of the measures--at least as it appears to the outside observer--is directed primarily toward internal guidance and modernization of the organization. Why?

[Answer] Mainly because we saw that a large part of our problems was derived from an overly centralized enterprise guidance not adapted to the production structure of the enterprise and not fitted to its export goals, and also from a lack of incentives for the factories. I am not denying either that if we uncover these deficiencies with adequate decisiveness and consistency then our reserves can also be mobilized faster and things can also be better based on the initiatives of the collective. Therefore, first of all, we started to organize the directorate, that is, our own house. By modernizing our planning and guidance systems we have greatly increased the independence of our factories. We have decentralized every single task related to management and production organization. The central expert administration, of much narrower scope than before, today deals only with research and development, commercial and financial matters. In the course of reorganizing the center, 80 percent of the higher and middle management was relieved, the number of managerial steps was reduced, departments and tasks were combined. This was not an easy task. For its achievement we received much help from the social organization. We talked individually with every affected person, searching for the mutually satisfactory solution. In such a manner, we succeeded in carrying out our conceptions without any more significant tensions.

This organizational modernization involving the whole enterprise has affected nearly 1,500 workers so far, because we also called on our factories to make a similar guidance-organization "self-portrait." The most striking changes occurred in our factory in Vac, presenting the greatest problem. Here--with the consent of the regional party and council organization--the entire management was replaced. With many small but effective steps in organization, discipline and thriftiness, during the first half of the year the new managers

have increased the factory production of the sought-after light tubes by 20 percent, and the losses were also more moderate. With some waiting time, we also requested the management of our factory in Kaposvar to take similarly strong measures. And this year--not using central prescriptions but considering the local conditions and peculiarities--a thorough organization development was started in every one of our factories in the provinces.

"...in terms of number of workers, we continue to be overdeveloped..."

[Question] The number of workers in the Tungaram Co decreased by 3,000 within a year and a half. And they say that it was among your first measures as director general to have the "employees wanted" sign taken off the factory gates. This is a striking change especially since there had been previous complaints about a considerable scarcity of workers.

[Answer] Steps were taken at several levels and they illustrate a more sweeping change in attitude: that we wish to distance ourselves, now and forever, from the earlier--sadly widespread--Tungsram arrogance; that we are the biggest, most beautiful, most clever...In my opinion, reference to a scarcity of workers had always been a cover-up for a certain weakness in management and organization. It is not enough to merely provide people with employment, the workers must also be provided with sensibly and economically achievable tasks. If I relate the current sales return and product structure of Tungsram with the current work force of 23 thousand, then it has to be stated frankly that, in spite of the 9 percent per capita increase in productivity, achieved within the last year, we still remain an enterprise overdeveloped in terms of the work force.

This contradiction is further sharpened by the fact that, while our wage level today is still very low compared to the machine industry average, wages and benefits amount to 32 percent of the total expenditures of the enterprise. There is no enterprise in this world which could bear such burden over a longer range. Because next year's regulations will further increase the costs of human labor, we want to anticipate these processes, trying to accelerate the work force reduction. This is also connected with the production organization and product transfer steps. But it is also no secret that, by reducing the work force--with a simultaneous increase in effectiveness--we can also raise the wages more rapidly. Namely, last year we made an agreement with the State Wage and Labor Office according to which, if the work force is reduced by 8 percent within 2 years, 60 percent of the freed wages can be used as a differentiated inducement for the remaining workers, more closely related to their productivity. This is one of the reasons that we were able to raise the incomes by 5 percent last year and by 7 percent this year.

"...it is not enough merely to provide employment..."

[Question] What methods are used to reduce the work force?

[Answer] The most important part is to have the people understand that these measures are being taken basically for them, in their interest, in the hope of more economical functioning and more favorable income opportunities. Therefore,

the workers are widely informed--worker meetings, and various social platforms--about the planned changes, their opinion and suggestions are sought. For instance, starting in the middle of the current year, we closed our crypton factory in Miskolc because it turned out after a thorough analysis that the electric energy needed for production was costing more than they could receive for their products. The plant site will be sold and the task of resettling the about 70 workers--after a circumspect reconciliation--was assumed by the local council.

This step was also intended as a test case because it seems that, in the case of necessary liquidations, solving the problems of the people more rapidly and humanely than at the present time will require many additional labor law provisions. At the end of this year--in association with the cessation of radio tube production--we shall also liquidate our plant site in Pecs. This decision will affect 320 workers, and we would also like to sell the building there. By March of next year at the latest, we want to decrease our work force by an additional 1200 people by resettling to the provinces some of the lines now produced in Budapest and by eliminating the outdated products. The more efficient production technology does not require the current number of workers; thus, there also will be layoffs. We are trying to proceed as humanely as possible and to decrease the number of subjective decisions to a minimum.

Proposals for transfers and dismissals are always made by the immediate managers at the work site, in fact, by paying increased attention to socio-political aspects. Of course, this is also a more costly and more prolonged method than if these measures would be carried out merely on the basis of economic efficiency. Yet we find that in some areas, the social organizations are having problems with placing the released workers. They do not have adequate experience and they would also need additional expert guidance in utilizing the funds for retraining. This is the reason why--along with a policy of support--there is also much dilly-dallying around our decisions. It should be added here that some of the work force will also be released from our main plant. For instance, our plant messhall will be rented out to a caterer. The venture-like activity will presumably also improve the level of services. But we would also gladly use our sports and social establishments--if a favorable offer is made--more effectively than is the case now.

"...we have changed our foreign enterprise network..."

[Question] Last year, in spite of the problems, your exports continued to increase. What new methods did you resort to and how did you utilize your vast international market organization?

[Answer] Last year an upturn was felt on the U.S. market which involves half of our capitalist imports. This year it was further strengthened and spread also to some of the West European countries. In the United States this resulted first of all in an expanded sale in traditional bulbs, but we also succeeded in selling 25 million incandescent bulbs on the Saudi Arabian and Iraqi markets. In Western Europe our main goal is to present our new products and to expand our direct deliveries to the large automobile factories. In addition to the Fiat, Renault, Opel, BMW and Volvo companies, we are also

delivering to Nisan and it seems that we have secured Toyota as a buyer also on the longer range. At the same time, for instance, we have consciously withdrawn from the British market primarily because of the dumping price levels of the Far Eastern and socialist competition. In contrast to earlier practice, we are not entering this price war. We are trying to increase our prices in proportion to the technical value and novelty of the new products. This we successfully realized last year while this year--during the first half--we increased our capitalist export by 16 percent. In addition to a more intensive market research and better price setting, the changes in currency values undoubtedly had a favorable effect on the results, and our situation was also improved by the fact that we were able to moderate the extent of our assets abroad in spite of the increased number of buyers. Because this trend has continued during the past months, it does not seem unrealistic that we expect to achieve a profit of 1 billion forints this year.

In addition to the more favorable sale opportunities, it has also contributed to the improved export effectiveness that we made some changes in our network of twelve enterprises abroad, owned by us or jointly. For instance, we closed our deficit-producing plant in Ireland because we saw that, with a rapid decision, the accumulation of losses can be avoided. In the end we left in style: the head of the union declared on the local TV that they would gladly welcome us back at any time. Our Spanish enterprise--Tungsram-Borcelona--was converted to a corporation and, from the beginning of next year, will be managed by a Hungarian director. The same had already taken place at our plant in the FRG, Tungsram-Frankfurt is being reorganized by a Hungarian manager, who replaces the German director who was let go as of 1 July. At our Vienna plant an immediate delivery to customers--direct from the storeroom--was organized with considerable increase in capital. The technological background is provided by the factory in Nagykanizsa. Hereinafter, we want to develop the entire agency system in such a manner that the member enterprises should serve the unified goals of the Tungsram Co. with their way of functioning and marketing philosophy. This includes establishing new agencies and joint enterprises, issuing bonds, expanding technical and scientific relationships and creating new cooperation. Last year, for example, we established a mixed enterprise with a Belgian company and headquarters in Budapest for the joint production of lamp bodies using high pressure bulbs. This can also promote the unfolding of the light system export.

"...we are aiming at innovating several filaments..."

[Question] The large enterprise was justly criticized that in Tungsram, famed for its world patents and top-ranking work in research and development, technical development has slowed down during the past years, and the product structure had become monocultural and thus much more vulnerable economically. How do you want to resolve the homogeneity of the product structure and how are you joining the trend in international development promoting a more rapid technological progress?

[Answer] The guidance-organizational changes already mentioned have affected most forcefully our technological management: the research and development tasks were attuned to production branches; thus developers have come into a

more direct contact with the producers and suppliers. The innovation work has been stirring somewhat and the number of registered patents has again been increasing. Innovation of the production-structure is being attempted on several filaments. Within our traditional profile, the manufacture of light sources, we are decreasing the proportion of signal lamp, miniature lamp and special large lamp production and--on the longer run--we are also counting on a narrowing market for the traditional incandescent bulbs. On the other hand, we are strongly expanding the production of light tubes and halogene automobile lamps, and also of the sodium and mercury-vapor street lamps developed by us. Our research projects are directed toward energy and material saving procedures and increasing the technological rentability of mass production.

We continue to maintain our factory exports on the basis of the main productions. At the same time, the center of gravity of our export to the Soviet Union is transferred to the various manufacturing installations of the electronics industry, in already further developed forms, of course. By combining fine mechanics and electronics, we want to develop new machine systems which are also linked with manipulators to move material and control installations. Using these experiences in machine production we are also moving forward in the direction of electronics. We have several different plans. We are going to buy a license from Toshiba for producing letter sorting automata and paper currency counting installations. We are starting further development and production of the guidance system for automobile industry welding robots on the basis of Soviet documentation. We plan to design computer controlled light systems whereby large areas--for instance sport fields, theaters, etc.--can be illuminated in a guided, energy saving fashion. Of course, all of these also need investments. Unfortunately, as a result of the investment policies of the past decade, by now unequivocally defined as short sighted the fact is that we had built rather than mechanized, and had taken over many small, outdated factory sites--the up-to-dateness of our technological foundation is rapidly declining while repayment of our debts will continue to be a great burden on us for a long time. Therefore, in assuming new loans, we want to proceed very carefully and in a much more circumspect manner.

[Question] Tungsram is a large enterprise not only according to Hungarian standards. Its proportion in global light source production is still 3-4 per cent. In response to the advancement of its market organization and to the recent internal reorganization, the functioning of the entire enterprise is beginning to greatly resemble a socialist concern. Considering the trends in the modernization of the domestic guidance system, how do you intend to exploit even further the advantages of this organizational resurrection?

[Answer] Today we are still searching for our place among the new organizational-guidance opportunities. What we sense is that the planned changes will presumably expand our reach here, too, and will provide broader opportunities for a more purposeful regrouping of the means of production as a consequence of our size and conditions, for the concentration of capital investments and for the unfolding of various undertakings. We think--but the precise elaboration is only now in progress--that it would be most advantageous for us if we were a shareholder's company not only in name but that--with the passing of time--we

could reinforce the share company aspects already present in our activities today. In this case, for instance, the various Hungarian banks would also become our shareholders and we could work jointly with them as fellow owners and entrepreneurs while achieving new developments.

"...we must be the one to adapt..."

[Question] Last year, in the course of the central resolution of Tungsram's financial situation, it also became apparent that--in addition to significant errors in the organization, development and management of the enterprise--the inconsistencies in guidance and regulation also contributed to the economic difficulties of the large enterprise. What do you expect from the impending regulatory reform and how will it affect your management?

[Answer] The contradictions in the current regulatory system are widely known, and we could not fend off the unfavorable effects either. But at this enterprise the attitude was very long lived whereby we merely pointed toward the outside to explain all of our problems and troubles, and we looked for the cause of the economic difficulties solely among the external circumstances. This had to be stopped once and for all. Therefore, I think it is possible that the planned changes will not make our task easier in every respect, it is possible that we would formulate differently certain individual elements of the regulation--if it were up to us--but on the whole we are the ones who must adapt to the economic environment and must acknowledge the more stringent rules of play, more strongly reflecting the value judgment of the world market. Based on preliminary data from the Finance Ministry, model calculations were carried out by the Ministry of Industries involving the effects of the planned changes, for instance, on our management. It revealed that if we get stuck at our 1983 level of management, then we may again land in the red by next year. But this year we have already worked more effectively than last year and I hope that our strength will also endure in the subsequent periods. Hard battles had to be fought both outward and within to extricate ourselves. At times we retreated, but we have won the greater part of the battles so far--thanks to the collectives of Tungsram. This is why I am confident and I hope that by next year we will not only get out beyond the circle of lesser economic effectiveness but, in the wake of stabilization, we can again develop more rapidly a year or two from now.

2473

CSO: 2500/585

MARKET FOR GAS BONDS MIXED

Budapest NEPSZABADSAG in Hungarian 18 Aug 84 p 9

[Article: "Mixed Experiences With Gas Bonds"]

[Text] In order to enlarge the national network of gas distribution, as of this date the councils of seven communities have made gas bonds in the value of 84 million forints available for purchase by the public. They have requested the branches of the National Savings Bank (OTP) and the credit unions to take care of the financial details. According to experts employed by the National Saving Bank's main department in charge of banking branches, several reasons contributed to the sharply mixed reception of the bond action in the various communities.

Of the bonds issued thus far, only those of Jaszbereny have been completely sold. The residents reacted favorably to the possibility of having gas lines connected to their homes, and they were willing to make material sacrifices for this. Several enterprises aided in the purchasing of bonds by advancing the price of their employees, deducting the amount during several subsequent months from their wages. In Turkeve, employers also advanced a portion of the money spent on gas bonds by the residents; in this community 93.5 percent of the bonds were sold.

In Sarvar the local council issued 6 million forints' worth of gas bonds. The projected six month period was found to be too short for selling them, so the deadline was extended. Finally, 96 percent of the bonds were sold.

In Keszthely and Heviz, prior to the beginning of the bond action, the local councils, the National Savings Bank's Zala County directorate and the Heviz credit union prudently organized a forum in order to inform the public. In spite of this, the expected results did not materialize. In all probability, the issuers of the bonds have overestimated the monetary reserves of the residents.

The residents' power and willingness to purchase was similarly misjudged in Tapolca, where they sold only 1.8 million of the 32 million forints' worth of bonds issued.

It has been the general experience of the National Savings Bank that the issuing of bonds has slowed the growth of deposits everywhere, and that in some locations the residents withdrew their savings in order to purchase securities. For this reason, in the event of future bond issuances, the National Savings Bank will become more involved in setting the interest rates associated with the bonds.
[Hungarian Telegraph Agency]

12588

CSO: 2500/588

MACHINE INDUSTRY WORKS FACTORY SOLD

Budapest NEPSZABADSAG in Hungarian 30 Aug 84 p 1

[Article by Katalin Bossanyi: "Trading a Factory"]

[Text] The Machine Tool Industry Works sold its grinder manufacturing plant on Vaci Road and will use the price to service its bank loans. The news item says only this much. It is worthwhile to look at the story behind the story, because this case illustrates a method of speeding up capital transfer among enterprises, and of redistributing the means of production, which has thus far been infrequently utilized in our economic practice, and which is still considered unusual, even reproachable, by many people.

As for what preceded this event, we should mention that this large machine industry enterprise, which a few years ago found itself in a difficult financial situation, has stabilized its management within a brief span of time. Contributing to this were a successful change in product profile, discovery of new export markets and--just as importantly--the fact that the Machine Tool Industry Works significantly reduced its costs by concentrating its resources, while its production became better organized and more efficient. This series of measures included the previous selling of the Works' two branches in the countryside and its idle machines. And now--based upon similar considerations--the Works decided to sell its factory on Vaci Road, which has been operating at a low level of profitability and struggling with a serious shortage of labor force. The decision amounted to saying: Let someone purchase the plant who can operate it more economically than we have been able to.

Beyond its immediate economic utility, this transaction deserves special attention and praise, because it provides an excellent illustration for the significant change taking place within [our] managerial attitude. The management of the Machine Tool Industry Works has recognized that the enterprise will not become smaller by getting rid of its unnecessary means of production. What is more, this method could help the Works to "become bigger," when it comes to efficiency. This also implied that they wanted to sell the factory on Vaci Road to whoever offered the highest price. However, aside from the classified section of the newspapers, the means and possibilities for the completion of this type of transaction have scarcely been developed in this country. The most practical approach would be to disseminate an open call for bids. But as of yet this method has been seldom used. The most frequent and proven practice is to

seek out personal contacts. One may sniff at this, but, as long as the banks fail to routinely undertake this kind of transaction, the practice should not be condemned. It was by following this practice, for example, that the Machine Tool Industry Works found a purchaser: the Book Distributing Enterprise, which will convert the factory into a warehouse and a preventative maintenance center, at a cost which is lower than the building of a new plant.

This is where--regardless of the transaction in question--we should mention the kinds of aversions facing this new, but presumably increasingly frequent method of redistributing the means of production. Many people received the enterprise's decision with a lack of comprehension. The main objection was that a purchaser was not sought and found within the machine tool industry and thus, so the critics say, the transaction contributed to the "impoverishment" of that industrial specialty. Of course, this did not prevent the transaction from being completed, but it did not make the situation of the involved leaders easy.

We could brush these kinds of objections aside, if they were not indicative of a more general sense of aversion aimed at the goals and methods of reallocating the means of production, which ignore that law of economics, according to which the means do not change owners on the basis of emotional considerations and professional nostalgies, but strictly in the interest of better utilization. To recognize and implement this does not mean the squandering of industrial capacities. On the contrary, by astutely employing the surplus resources thus gained, management may become more profitable, and this benefits not only the enterprise and the specialty involved, but our entire national economy.

12588

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KATOWICE MILL OFFICIAL TRIES TO JUSTIFY GOVERNMENT SUBSIDIES

Katowice TRYBUNA ROBOTNICZA in Polish 20 Aug 84 p 3

[Article by Aleksandra Chmura]

[Text] The publication of the list of 500 major corporations of the Polish processing industry reverberated far and wide. The waves reached not only executives of the national economy and employees of major firms, but spread beyond our country, arousing responses that ranged from "lip smacking," as one columnist defined this initiative otherwise taken verbatim from the capitalist business world, to a cool contemplation of the conclusions emanating from the interesting information flow, which is unquestionably supplied by the classification of "the 500" according to the 12 routine standards.

However, numerous signals would indicate that this very list (see ZARZADZENIE No 6, which was discussed in TRYBUNA ROBOTNICZA on 23 July), particularly numerous publications on this topic, also caused misunderstandings, mainly as a result of "irresponsible" generalizations and postulates. It was quite predictable that in the first sequence of events a jittery response would come from the giants of Polish industry, which suck up like sponges billions in subsidies from the state treasury, that is, from our common public pocket. This very phenomenon was picked up immediately by reporters who acted in the service of both public opinion and the decisionmakers by asking many quite unrheterical questions, such as: Why, despite the implementation of the reform, do high salaries not always go hand in hand with profitability and efficiency of industries, something that is quite obvious when one casts a glance at the list of 500...? As one bit of evidence, here are some figures illustrating the balance sheet of the Katowice Steel Mill, or should I say the Katowice Metallurgical Combine [KMH], (I'll explain the cardinal difference in a moment), which is the ultramodern giant of Polish metallurgy and the fourth-largest enterprise among the 500 major Polish companies, as the 1983 production sales.

Let us bear in mind this Katowice example, at any rate a favorite frame of reference of reporters. Thus KMH heads a list of national corporations that have to be subvented from public funds in order to be able to operate. KMH gets the highest subsidy, 5.865 million zlotys! The second place in this regard is occupied by the Police Chemical Works, which draws 5.796 million zlotys in subsidies. At the same time, last year the average monthly salary at the KMH

was 19,916 zlotys, which places it in second place on the list of 500, while Polite (the 75th largest corporation in production sales) showed an average of 14,601 zlotys, i.e., 166th place in this regard. Let us add that the first place, with the highest average monthly salary of 19,932 zlotys, was occupied by the Lenin Steel Mill in Krakow, which is also subsidized, though to the lower tune of 245 million zlotys.

The question arises: why should potentates be subsidized? Not without embarrassment intermixed with shame, the undersigned has to confess that before she undertook the assignment of investigating this case, the business manager of KGH, Kazimierz Napora, had called TRYBUNA ROBOTNICZA to explain this question. The reason he called was that he had been concerned about his company's reputation, about the frame of mind of the people working at the plants, and also, perhaps primarily, because he wanted to prevent any further mushrooming of misunderstandings about the subsidies allowed to KGH. Some newspapers had blown up this sum into the astronomical sum of 58 billion zlotys! This might have been, of course, merely a typographical error due to a shifted decimal point. But the worst is that the error sticks in the following context. And we quote from TYGODNIK ROBOTNICZY: "FSM believes that in this regard (i.e., salaries-- note by A. Ch.), it [FSM] is not fairly treated. Whereas last year this Bielsko-Biala plant with a net profit of almost 11 billion zlotys showed an average salary figure of 14,500 zlotys, the Katowice plant with a government subsidy amounting to 58.65 billion zlotys (?) showed an average salary rate of 19,932 zlotys. It is urgent to do something about that ratio." After such a statement a suggestion invites itself: should the Katowice enterprise be taken on the carpet? Let's face it, some other mills make car body plating, too... But, let's be serious and get back to the problem at hand.

KGH's business manager explains that the very fact that many reporters always refer to the Katowice Metallurgical Combine as simply "Katowice" brings about the wrong association, because "Katowice" is only one of several plants making up the entire industrial group of KGH. In addition, KGH's business manager feels that the plant, the greatest investment in the coal metallurgy of the 1970's, has been stigmatized by many statements that were not always objective, many bits of information that were not always honest, thus giving rise to various myths. Now, this may turn out to be the reflection of adverse opinions in the public mind insofar as the work of the entire enterprise group is concerned. The fact is, though, that all data presented in the list of 500 major enterprises of the Polish processing industry involve KGH as a whole, i.e., the Katowice Metallurgical Combine consisting of the following plants: the Katowice mill in Dabrowa Gornicza, the F. Dzierzynski mill in Dabrowa Gornicza, the Silesian Insurgents coke mills in Zdzeszowice, as well as the collective supply plant in Dabrowa Gornicza.

The need for such a differentiation becomes even more acute when one takes into consideration the necessity to break down the subsidy size against the background of the enterprise group's operations, because three-fourths of the subsidy are allocated to make up for specific product costs sold directly by this group on the market. This is the case with coke made by the Zdzeszowice plant. While this coke, used to supply the industry, is worth 6,600 zlotys per ton, it is actually sold at only 3,000 zlotys per ton. In this case subsidies compensate

not only for the producer's interest, but primarily they are designed to protect the pocketbook of individual consumers, i.e., the buyers of that fuel coke. Coke, as we know, is a product that is subject to central distribution, with sales prices officially set, of course. It may also be advisable to take note of the KGH manager's explanation: if the entire coke production were sold at 6,000 zlotys per ton, instead of the negative balance of payment there would be a profit of 3.851 billion zlotys.

Still, the dual and highly staggered coke price structure does not explain the entire subsidy allotted to the enterprise group. The additional 1.5 billion zlotys of this amount constitute a viability compensation for the Katowice mill. The sources for this deficiency may be found in the price structure of the mill's products, namely in the gap between raw material prices and the prices of the finished mill products. Hence, the prices of ores and steel raw materials, as well as coke, fail to cover their production costs. This is why mills based on raw material supplies are almost entirely nonviable. And not just in Poland alone.

The profit cream is skimmed by corporations of the machine industry, which also applies to mills involved in sophisticated and especially state-of-the-art processing operations, such as Cedler, Baildon, or Florian. The latter, for instance, buys raw materials from the Katowice combine at the official price of 6,600 zlotys per ton, although the production cost itself, after the latest increases in the cost of ores and transportation, amounts to 12,000 zlotys per ton. Even when it comes to products with basic importance for the national economy, such as the home building industry products, due to the fact that they are sold at strictly regulated and, of course, official prices, the Katowice plant shows a deficit. To be exact, in raw materials, whose steep domestic deficit is covered by imports exceeding 1 million tons on an annual scale, this negative balance of payment is reflected by a figure of 51.6 percent; in steels it is minus 7 percent, in blooms and slabs minus 10.5 percent, and in billets minus 11 percent. For the Katowice mill it takes additional plant production to create a profit area, such as railroad and streetcar rails as well as various sorts of molds. In view of this data it is easy to understand why the average viability of the enterprise group as a whole is somewhat positive, although barely 5.7 percent, relegating this corporation to 404th place in the group of 500.

What can be perceived in this mirror of representative figures, if roughly not all conclusive, making up the financial-economic picture of this giant of Polish metallurgy? It may be said that the modern aspect and size of the recently erected Katowice plant have no great bearing, we may even say none at all, on its productive viability, and on the productive efficiency of the enterprise group as a whole. This is particularly so when we consider this particular price structure and no other, i.e., the structure under which the coal metallurgy entered the realm of reforms, and when we weigh the relationship between prices of mill products and products made by other processing industries using mill products as their basis. Any past remedies in form of subsidies, subventions or more favorable conversion factors do nothing but obfuscate the economic picture of the metallurgy to some extent if not in its entirety. But,

perhaps it is better not to try to figure out how much it would cost to buy a washing machine, a refrigerator, a gas stove or a simple ploughshare if the attempt were made to update the prices of iron ore, followed by an activated chain movement of price increases in all products coming out of it...

However, if any reform principles have to be purposefully inculcated in the entire economy, which is indispensable to realizing the desired effects, then a branch of industry of such fundamental importance for the national economy as metallurgy must also be guided in its activity by principles of economic accounting. This must be true not only on the scale of metallurgy as a whole, but also on the specific scale of each individual mill. Not to be envied today is the situation of those employees who are aware of the fact that each additional ton of their however necessary production widens the gap in the national balance of payments, requiring a rightfully due subsidy. It is something else that in such a financial situation it is easy to conceal in subsidies any waste and squandering. On the other hand, it is easy to imagine what would happen if mills producing raw materials gave up the production of materials and semi-finished products because it was unprofitable. Finally, it is well known that we cannot afford imports. Is it obvious, therefore, why the central offices provide subsidies for metallurgical products and official prices that, for public considerations, were set below manufacturing costs. Let us repeat in this regard that we are no exception. In Western countries, too, the metallurgical industry is being subsidized. By the same token, nobody here in Poland is exempt from the duty of accounting for his or her expenses, and we should also take into account the social advantages ensuing from the activity and development of domestic metallurgy. This is especially so since the Katowice mill is expanding: a coke mill is being erected along with a manufacturing division of hot-rolled rails, a large furnace, and in the year to come plans call for the construction of a converter for a continuous steel casting facility. Therefore, public opinion should realize, should be sure, that these are socially profitable undertakings.

And even if those who insist that innovations must cost money are right, there is surely no way to repudiate those who affirm that those expensive innovations must pay off, which means they should bring about the expected profits to the society that is willing to pay for them.

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EXCESSIVE COSTS OF RECOVERY UNCOVERED IN GUS ANALYSIS

Warsaw ZYCIE GOSPODARCZE in Polish No 35, 26 Aug 84 pp 1, 15

[Article by Marek Misiak: "National Economic Performance in January-July 1984: Growth and Disequilibrium"]

[Text] Although the July results testify to relatively high dynamics of production growth, this commentary on GUS [Central Statistical Office] data will focus--just as a month ago--on dangers. This is because the relative improvement in the past dozen-odd months was insufficient to make up for the regression of past years. Also, there continues a discrepancy between the production growth (quantitative and in terms of value) on the one hand and its economic effects on the other. In other words, the costs of growth are too high to allow for the expected effects. One manifestation of this is the protractedness of disequilibrium, which in the retail market translates itself into continued rationing, other forms of "controlled" distribution, and chronic discontinuity of sales of many goods.

Socialized Industry

The GUS table at the end of this article shows that the seasonal July-on-June decline in the value of socialized industry's sold production was much milder than in previous years, as a result of which the July-on-July growth amounted this year to 11.7 percent (at constant prices). Although in comparable, seasonally adjusted terms this index was 4.3 percent [because of the difference of 2 working days between July 1983 and July 1984], it should not be overlooked that for the first time in a long time, production dynamics in so-called real time [in absolute terms], ran in July into a double-digit figure. As a result, the January-July growth in socialized industry's output (compared to the same period of last year) rose 6 percent in absolute terms and 4.9 percent seasonally adjusted, against the Central Annual Plan (CAP) target for the whole 1984 of 4.5 percent.

When figured in current rather than constant prices, the dynamics of socialized industry's sold production was naturally much higher. It ran at 30 percent in July and 20.7 percent in January-July (compared with the corresponding periods of 1983).

But the financial performance of socialized industry fails to indicate any desired improvement in efficiency. Industry's financial accumulation [the difference between the enterprise's money earnings from the sale of goods and services, both domestically and abroad, and the costs of production and sale, adjusted for the balance of extraordinary gains and losses], totaled Zl 726.4 billion in the first half of 1984 (up 17.6 percent on the corresponding 1983 figure) which represented the equivalent of 19.1 percent of enterprise costs (against 19.5 percent a year earlier).

There was also a deterioration in socialized industry's ratio of the financial result (the balance of profits and losses) to enterprise costs (referred to as net profitability)--from 13.8 percent in the first half of 1983 to 13.1 percent in January-July 1984. This was coupled with a simultaneous increase in the share enterprise costs in the value of sales from 83.6 percent to 83.9 percent.

The deterioration of financial performance was seen in the following industries: fuels (net profitability dropping from 17.1 percent in the first half of 1983 to 11.3 percent this year), construction materials (from 16.2 percent to 13.3 percent, respectively), timber and wood products (from 12 percent to 10.4 percent), paper (from 11.6 percent to 10.8 percent), chemicals (from 18.4 percent to 16 percent), and food processing (from 8.1 percent to 6.9 percent).

A GUS table with more detailed data on socialized enterprises' financial performance in the first half of 1984 will be published in one of the upcoming issues of ZYCIE GOSPODARCZE, but it can be concluded even now that enterprise costs are growing at no slower pace than production.

Substantial differences are also seen in production dynamics among major manufactured articles in the period between January and July 1984. More than 15 percent growth was recorded in lignite, natural gas, household deep-freezers and refrigerators, trucks and truck-tractors, car radios, and tires. Increasing in the 10-15 percent range were cars, farm tractors, sulfur, nitric fertilizer, chemical fibers, cement, and footwear, among other items. Lower output levels, compared to January-July 1983, were reported for coal-derived coke, ships, TV sets, phosphoric fertilizers, and products of livestock slaughter.

Agriculture

In agriculture, too, the July results, although apparently favorable, testify to the continuation of many dangers. Rainfall and cold spells in June and in the first 20 days of July resulted in delays in first hay-gathering and in grain harvests, even though the latter are assessed as slightly better than a year earlier. The first half of August, despite some rains in the middle of the month, also indicates a possibility that the 1984 harvest will be higher than last year's.

The June census of farm livestock shows that the animal population, hogs included, is being gradually rebuilt. This is also reflected in the

July-on-July rise in livestock procurement for slaughter--by 7.1 percent overall, including a 5.7 percent increase in hogs, a nearly twofold rise in poultry, and a 1.8 percent drop in beef cattle and calves. In January-July 1984, compared to the same period of 1983, livestock procurement dropped 2 percent. Relatively high growth-rate continues in milk procurement.

Changes in farm prices in procurement and in trade among farmers would require a broader analysis. In the crops segment, there was a 15 percent July-on-July increase in free-market prices of grain. Prices of early potatoes were higher too. This can be ascribed in part to the depletion of private farmers' grain stocks.

In the animal segment, a decline in free-market prices of piglets can be seen since last May. It was not checked by the July increase in livestock procurement prices. True, business at saw-covering agencies is picking up (18.8 percent increase in July), but the present level (in terms of covered saws) is still 30 percent lower from the 1977-1980 average. Statistics of farmer-state contracts testify to the continuing not-too-high level of hog deliveries to socialized procurement agencies. The number of meat/fat hogs contracted by the end of July for delivery in August-October is 24.7 percent lower than the corresponding figure for the same period of 1983. In beef cattle, the present level is 14.4 percent higher.

The July supply to agriculture of feed mixes, additives, and mineral fertilizers was much higher than a year earlier. But with unbalanced markets for many consumer and producer goods, the motivation for private farmers to raise commercially marketed production is still insufficient.

Construction and Capital Investment

The base production of construction/assembly enterprises rose 9.8 percent in July and 12.4 percent in January-July (compared to the corresponding periods of last year). After 7 months, the CAP target for the whole year, providing for a decline in this production, was met in 62.5 percent, or 4.1 percent more than the corresponding proportion of the annual working time. It is feared that the construction sector's growth-rate is connected with the continued involvement in new investment projects of long gestation periods. This problem was tackled in ZYCIE GOSPODARCZE on a number of occasions.

Current statistics show that the investment spending in the socialized sector of the economy ran at Zl 541.0 billion in the first half of this year, including Zl 351.2 billion in construction/assembly operations and Zl 165.5 billion in machinery purchases. Compared to the same period of last year, investment spending at constant prices went up 13.8 percent (including an 11.3 percent rise in construction and assembly).

The problem poses a major danger to social effects of economic growth--the more so as the value (in cost estimate terms) of investment projects handed over for use in that period was as low as Zl 109.5 billion, or 63.9 percent

of the mid-year target and 17.6 percent of the target for the whole of 1984.

But the cost-estimate value of projects started in the first half of 1984 was much higher--Zl 321.2 billion in the socialized sector of the economy--which testifies to growing involvement in capital investment and increase in the amount of capital needed to complete projects underway.

Running at a high level is also the cost-estimate value of continued projects. Here, the high figures reflect the continued excessive burden of the economy with big projects, which often feature distant completion dates. At the same time, with the postponement of numerous small modernization projects at manufacturing enterprises (including the exporting ones), the technology gap is growing wider.

The number of new dwellings handed over for use in July was 5,400. July has never been a good month in this respect, but neither can one rejoice at the January-July figure--63,600--which is 0.4 percent below the corresponding 1983 level. It is true that the dwellings were slightly higher--their living area rose 2.2 percent--but these figures are much below both the 1976-1980 performance and the current requirements.

The continuation of relatively rapid pace of production in July, despite its seasonal [July-June] slow-down, is also reflected in the indicator of socialized transport's cargo traffic. Compared to the corresponding periods of 1983, the transport of goods increased 6.3 percent in July and 4 percent in January-July.

Foreign Trade

The monthly dynamics (related to the same months of the previous year) in foreign trade, was higher in July than in the previous months of 1984. Also, the seasonal July-to-June decline in trade with both payments zones was lower than in the same period of 1983. But the growth-rates presented in the GUS table (in current prices and in zlotys) should not be accepted unreservedly. Their level was pushed up by the devaluations of the zloty at the beginning of July 1983 (against the transferable ruble) and at the beginning of March 1984 (in both inconvertible and convertible trade).

These assessments may be verified after the publication of Foreign Trade Ministry's monthly statistics, supplying data on trade with both payments zones at constant and current prices, and in breakdown by product group. Hopefully, I will be able then to write about some new elements on the foreign trade front, coming from the verification, or rather updating, of some targets of the 1984 foreign trade plan, following the conclusion in recent time of trade protocols for 1984 with other CEMA partners.

For the time being, I will confine to providing complementary information about the global values of trade with both payment zones at constant prices. In trade with payments zone I, the January-July constant-price growth (compared to the same period of 1983) ran at 7.6 percent for exports (against

6 percent in January-June) and 8.4 percent for imports (against 6.4 percent for the first half of the year). In trade with payments zone II, the respective figures were 13.2 percent (13.7 percent) for exports and 9.9 percent (10.0 percent) for imports.

A still different picture comes when trade figures are expressed in foreign currencies (in transferable rubles and in U.S. dollars). This was influenced by the increase in ruble price in trade with payments zone I and a substantial decline in dollar prices in trade with payments zone II. Similarly as a month earlier, the statistics of foreign trade prices are hardly encouraging. In trade with payments zone I, prices were growing at a higher pace in exports compared to imports, but in trade with payments zone II, the drop in prices continued to be slightly deeper on the exports side.

As a result, July witnessed a further, rather substantial increase in Poland's trade deficit with payments zone I--from minus Zl 12.2 billion at mid-1984 to minus Zl 23.4 billion (TR 329.8 million) at the end of July--while in trade with payments zone II, despite unfavorable price developments, the trade surplus increased--from Zl 85.6 billion at mid-1984 to Zl 96.6 billion (\$929 million) at the end of July.

Domestic Consumer Market

The market for consumer goods and services and the monetary developments deserve special attention. The July-on-July dynamics of goods and services sales was high, running at 27.7 percent at current prices (14.6 percent for food, 12.2 percent for alcoholic drinks, and 36.7 percent for nonfood articles).

As a result, the January-July 1984 value of retail sales reached Zl 2,303.9 billion, up 23.1 percent on the corresponding period of 1983 (at current prices). The total splits into Zl 758.1 billion (32.9 percent) in the sale of food, Zl 308.5 billion (13.4 percent) in alcoholic drinks, and Zl 1,237.3 billion (53.7 percent) in nonfood articles.

Compared to the same period of last year, the value of nonfood sales in January-July 1984 was higher by 26.6 percent at current retail prices. The respective increases for food and alcoholic drinks were 21.9 percent and 13.1 percent. After adjusting for an estimated impact of price growth, it appears from GUS statistics that the January-July retail sales were 9 percent higher than in the 7 months of 1983. Nonfood sales rose by 13 percent while food and alcoholic drinks went up by 5 percent.

Despite some growth in the value of retail trade inventories (by 17.9 percent from the end of December 1983, to Zl 587 billion at the end of July 1984), there are indications that a tendency continues toward relatively quick buying off of goods from the market. This is especially true of nonfood articles which, despite some increase in shipments to the market, are still in short supply.

Among other factors, this is no doubt influenced by higher-than-planned increase in the population's money incomes. The July statistics point to renewed acceleration of average-wage growth in the socialized sector--after some slow-down in the second quarter of 1984 (which in turn followed the high indices in the first quarter). This is no surprise--wage rises were shifted till the second half of the year at many enterprises--and was expected also in ZYCIE GOSPODARCZE articles.

Our editorial staff is asked by readers how it is possible that, given the industrial output growth of 4-5 percent at constant prices and the FAZ coefficient translating production growth into FAZ-free increase in wages of 0.5 [e.g., a 10 percent rise in the former permits 5 percent rise in the latter], the industrial wages are up by 20 percent, rather than 2-2.5 percent, or even 3 or 4 percent. These doubts would seem confirmed by the fact that the total amount of FAZ contributions [taxing wage increase above the FAZ-free threshold] amounted in the first half of 1984 to as little as Zl 31.7 billion. Naturally, it should be explained that the threshold for FAZ exemptions is set in relation to the dynamics of so-called net [sold] production which is as a rule much higher than that of [gross] sold production. Besides the regulations now in force offer many opportunities for FAZ-related concessions.

The weak impact of the FAZ systems seems to derive from the too stringent initial determination of the FAZ-free threshold. There is a very strong pressure from enterprises on raising the threshold [which, with a given increase in net production and with a given base amount of the wage fund in the preceding year, depends on the value of the adjusting coefficient, assigned to individual industries and enterprises by higher authorities] in order to compensate for increase in the costs of living. It seems, indeed, that some rise in the threshold at the starting point might have brought about more normalized practice of FAZ taxation.

A great deal of patience is still needed before the monetary situation will stabilize. The psychosis of escape from money is rooted not only in the creation of the population's money incomes. Despite some increase in the global shipments to the consumer market and in retail sales, grave structural irregularities in the field continue to be the case. Normalization of the market is also hampered by so-called price allergy, or the proclivity to yield to various pressures on price freeze (not only those justified by economic or social considerations), also in respect to those articles which are in short supply and which satisfy higher-order requirements.

The July performance provokes some more general reflections. The growth indices so far (at constant retail prices) for industrial production, construction operations, investments, and deliveries to the consumer market (which can be judged on the basis of sales, among other factors) indicate that the national income--produced and distributed--is growing at an annual pace of 6-8 percent, rather than the 2.8 percent put into the CAP for 1984. It would be a cause for jubilation, if only the increases were recorded in those fields which help rebalance the economy. Regrettably, the reverse seems to be the case, as exemplified by the excessive involvement in various

huge projects with completion dates long into the future, or by the absolutely too slow process of alleviating the monetary/consumer-market disequilibrium. A question arises of how much of this national-income increment (and which of its components) will not only fail to stimulate an increase in social efficiency of economic activity but will actually deteriorate it (or will constitute an apparent, rather than real, improvement). It is especially in these areas that verification and correction of economic policy preferences seems imperative.

A recovery from crisis requires that mistakes of the past be corrected. There is much talk in Poland about structural changes. But it would be wrong if these changes were understood exclusively as, e.g., global increase in the share of consumer-market supplies or exports in the sales value. When seen through the prism of these global values, the July performance is not bad. But the problem is that structural changes should also go within the above-mentioned aggregates. What is also needed is quality improvement and reduction of costs of economic growth. In this context, the July performance appears less optimistic than global indices of production growth would indicate.

Table 1

Specification 1	1983		1984				
	The same period of 1982 = 100		Absolute figures				
	July 2	Jan-July 3	May 4	June 5	July 6	Jan-July 7	The same period of 1983 = 100
							May 8 June 9 July 10 Jan-July 11
INDUSTRY							
Sold production of socialized industry (at 1982 producer prices), in billion zloty	106.0	108.2	649.5	645.4	596.6	4,444.4	106.2 105.1 111.7 106.0
Average employment in socialized industry, in thousand persons	99.3	98.9	4,380.2	4,372.4	4,389.8	4,409.0	99.6 99.5 99.5 99.6
Sold production per employee of socialized industry, in thousand Zl	107.3	109.4	148.3	147.6	135.9	1,008.1	106.6 105.6 112.3 106.4
Average monthly wage in socialized industry, in Zl	127.4	133.1	17,923	17,505	17,912	17,902	114.6 114.6 119.7 121.1
Production of selected commodities:							
-coal, in million tons	96.4	99.8	16.4	15.7	16.2	112.3	100.1 103.8 105.3 101.5
-electricity, in million kWh	106.9	105.7	10.2	9.7	9.7	77.7	109.1 107.3 109.9 109.5
-crude steel, in thousand tons	104.1	113.0	1,359.1	1,328.8	1,407.0	9,738.1	102.6 103.2 105.4 102.9
-farm tractors in thousand pcs	100.1	103.5	5.2	4.7	4.1	33.8	106.0 102.1 115.2 104.5

1	2	3	4	5	6	7	8	9	10	11
-passenger cars, in thousand pcs	155.4	136.7	25.5	23.5	21.4	163.5	107.7	102.7	155.0	105.9
-household washing machines and electric spin-driers, in thousand pcs	74.4	111.7	63.3	60.2	65.5	439.0	106.4	105.9	164.3	112.6
-TV sets, in thousand pcs	122.6	109.4	44.8	50.0	20.7	297.7	84.6	97.4	71.9	87.5
-nitric fertilizers, in terms of N ₂ , in thousand tons	94.1	107.1	116.0	117.0	118.3	810.3	98.6	113.9	103.0	103.4
-plastics, in thousand tons	116.0	124.8	45.3	53.6	39.1	339.2	99.5	55.7	111.5	112.2
-cement, in thousand tons	101.0	103.5	1,503.1	1,526.3	1,503.0	9,813.0	101.8	106.7	103.2	102.0
-footwear (without rubber-made), in million pairs	109.8	115.9	13.6	12.6	7.9	86.8	110.1	104.1	104.1	107.1

CONSTRUCTION

-Base production of socialized construction/assembly enterprises in billion Zl (at constant prices)	102.2	106.8	65.1	72.7	62.4	421.0	108.8	114.3	109.8	112.4
-Average employment in socialized construction/assembly enterprises, in thousand persons	99.2	98.9	917.4	917.5	916.6	920.0	100.9	101.2	100.7	101.0
-Base production per employee of socialized construction/assembly enterprises, in thousand Zl	102.9	108.0	71.0	79.2	67.9	457.6	107.8	113.0	109.0	111.3

1	2	3	4	5	6	7	8	9	10	11
-Average monthly wage in socialized construction/assembly enterprises, in Zl	134.9	130.9	16,796	16,839	18,162	17,333	115.8	117.8	124.3	127.7
-Dwellings handed over in socialized construction, in thousands	70.3	115.4	8.9	20.3	5.4	63.6	101.2	106.1	106.9	99.6
-Area of new dwellings handed over in socialized construction, in thousand sq.m.	74.3	116.9	486.6	1,112.2	306.5	3,491.6	105.8	108.6	107.9	102.2

AGRICULTURE

60 -Livestock procurement, in terms of meat, in thousand tons	135.1	98.8	155.7	130.7	190.6	1,041.9	103.6	128.9	107.1	98.0
-Milk procurement, in million liters	108.1	116.1	1,103.9	1,238.2	1,276.5	6,668.1	104.0	106.7	107.7	108.6
-Egg procurement, in million pcs	102.2	83.6	297.2	302.9	190.9	1,875.9	91.1	126.9	87.4	103.6

TRANSPORT

Cargo carried by socialized transport, in million tons	99.5	103.1	97.7	91.9	95.1	646.6	101.7	99.8	106.3	104.0
of which:										
-by rail (standard gauge)	102.9	104.4	36.0	33.9	35.3	244.4	100.6	100.4	103.7	103.2
-by road (public and sectoral transport)	95.9	101.2	52.9	48.9	50.9	345.9	103.0	97.8	108.5	104.8

	1	2	3	4	5	6	7	8	9	10	11
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Transshipment at commercial seaports, in million tons

123.8 128.4 5.0 4.8 4.5 32.8 105.2 95.7 114.7 122.6

FOREIGN TRADE

Exports, total, in billion Zl²

123.8 117.8 115.1 122.0 100.1 694.2 122.4 114.0 128.2 120.1

-payments zone I

112.2 119.9 53.7 57.8 45.4 325.3 120.7 114.5 128.4 114.4

-payments zone II

135.1 115.9 61.4 64.2 54.7 368.9 123.8 113.6 128.0 125.6

Imports, total, in billion Zl²

105.3 116.0 99.4 104.3 96.3 618.0 132.1 122.4 131.0 120.9

-in payments zone I

105.7 112.3 55.6 59.6 55.6 348.6 127.8 116.7 134.1 118.9

-in payments zone II

104.7 121.3 43.8 44.7 40.7 269.4 138.1 131.0 127.1 123.5

CONSUMER MARKET SITUATION

Population's money incomes in billion Zl

130.4 129.5 397.4 384.8 429.2 2,790.6 118.4 115.3 118.5 119.3

Population's money expenditures, in billion Zl

117.3 135.4 408.7 379.8 391.7 2,674.8 123.2 120.4 128.3 124.0

Retail sales (at current prices), in billion Zl

116.6 136.2 339.7 334.0 340.0 2,303.9 121.7 121.3 127.7 123.1

1. Including employee cost-of-living pay supplements and profit-financed pay components.

2. At current prices.

Note: The data are of preliminary character, and may be changed later.

Table 2. Structure of the Population's Money Income and Expenditures

Specification	July	January-July		July	Jan-Dec	
	in billion Zł		CAP target = 100	The same period of 1983 = 100		(plan)
I. Incomes, total	429.2	2,790.6	57.8	119.3	118.5	113.8
of which:						
-wages	211.7	1,460.2	57.0	118.3	122.7	116.9
-social benefits	73.9	513.8	61.3	120.4	119.1	112.3
-credits received	15.6	110.4	72.7	125.0	128.5	105.5
-earnings from sale of farm produce	72.8	355.2	47.4	106.8	93.9	106.1
II. Expenditures, total	391.7	2,674.8	58.4	124.0	128.3	116.4
of which:						
-purchase of goods	321.0	2,178.9	58.4	123.6	130.3	116.3
-purchase of services	48.1	297.0	58.4	122.7	128.4	116.3
-taxes and fees	9.2	91.8	68.5	159.6	160.0	119.6
-credits repaid	5.8	41.2	49.7	121.5	102.9	111.9
III. Changes in the state of popula- tion's money reserves	37.5	115.8	46.3	63.9	65.8	81.0
of which:						
-savings deposits	13.9	56.5	x	63.6	64.5	x
-cash	23.6	59.3	x	64.2	66.7	x

Time-flow indices for Jan-July: 58.2 percent (calendar time);
58.4 percent (working time).

Note: The data are of preliminary nature, based on summary reporting and estimates.

Source: National Bank of Poland (NBP).

CSO: 2600/16

FROM ORGAN TOUTS BENEFITS OF IMF MEMBERSHIP

Warsaw ODRÓDZENIE in Polish No 35, 28 Aug 84 p 1

[Article by Michal Lytko: "Poland at the Threshold of the International Monetary Fund"]

[Excerpts] Poland formally applied to rejoin the International Monetary Fund in November 1981, and in the next 2 years hosted a number of working meetings with the fund's representatives. (In July 1982, a very detailed questionnaire on the state of the Polish economy, finances, and foreign-exchange rules was filled in and sent to the IMF management.) However, in view of the known political obstacles--posed by the U.S. Government--the procedures related to Poland's admission to the fund have not yet been opened by its authorities.

Will this become possible at the forthcoming annual session of the fund in September?

Working on this initial assumption, it will be worthwhile to ponder the direct and--much broader--indirect consequences of such a step.

The first thing to do will be estimating Poland's probable quota in the fund (this influences the amount of possible credits). Three years ago, it was estimated at U.S.\$700-750 million (see the very interesting article on the IMF by J. Krakowski in HANDEL ZAGRANICZNY, No 5-1981, page 25), and now can be put at \$800-1,000 million. Of this, only a quarter (21.3 percent to be more precise) will have to be paid to the fund in convertible currencies (\$170-200 million), and the rest in Polish zlotys. More than that, the hard currency tranche will not diminish our foreign exchange reserves, since formally it will still be counted as part of the latter. The actual quota will be set in the course of Poland's negotiations with the fund.

Secondly, our entry into the IMF would automatically flash the green light to our application to rejoin the World Bank, presented to the bank's President A. W. Clausen on 10 November 1981. Poland's share in the World Bank will equal 34.46 percent of the IMF quota. Of the total nominal subscription to the bank's capital stock only 1 percent will have to be contributed in convertible currencies and 9 percent in the national currency, while the

remaining 90 percent is subject to call, if required to meet the bank's obligations. Assuming the upper level of my estimate--\$1 billion in IMF quota--as the starting point, our share in the World Bank would amount to \$544.6 million, including \$5.4 million in hard currencies and the equivalent of \$49 million in zlotys. Upon the entry into the World Bank, Poland would automatically gain a seat on its Board of Governors.

Benefits of Membership

The membership in the IMF puts on the member country some obligations, as formulated in Article 8 of the fund's statute. They boil down to avoiding foreign exchange restrictions and discriminatory practices in the field, and to ensuring convertibility of the national currency (at least as a goal for the future). Without going into the details of these obligations, it may be noted that many of them have long been treated as formal barriers, unacceptable to a socialist state. These were in particular: the necessity of supplying information to the fund on the country's balance of payments, state of reserves, etc.; the requirement of gradual liberalization of payments operations, and of receiving the fund's approval for all temporary restrictions; and finally the IMF right to influence economic policies of the assisted member states.

As rightly pointed out by some authors in recent years (see, among other items, "Let's Talk About the Fund" by J. Kranz, ZYCIE GOSPODARCZE, No 49, 1981, and many publications by K. Zabielski), most of these arguments have lost substance (this concerns, e.g., the problem of information, in the light of Poland's and Hungary's experiences in credit negotiations with Western banks), while the most serious reservation, connected with the last of the above-mentioned conditions, depends on the extent and kind of obligations to the fund accepted by the country in question.

In the opinion of this writer, the balance of potential obligations and benefits related to Poland's membership in the fund is firmly tipped in favor of the latter. They include both the tangible benefits (the expected credits) and the no less important imponderables.

The long list of benefits of Poland's entry into the IMF can be summarized as follows:

--Direct credit assistance from the IMF and the World Bank of the order of U.S.\$1-2 billion in a year or two after the entry, and \$3-5 billion together in the first several years; for the most part, these would be credits bearing relatively low interest (the average 6.6 percent in financial 1983, in respect to the fund's own funds, plus a lump-sum commission fee of 0.5 percent);

--The very entry into the IMF and the subsequent favorable cooperation with the fund in healing our economic and financial situation would bring about major improvement in credit worthiness and payments reliability of Poland and Polish banks (Poland recently moved on the Institutional Investor's ranking list from position 100-101 in 1982/83 to 97 in March 1984, with

over a hundred countries on the list); this would render possible new credits also from Western commercial banks;

--Membership in the IMF would ensure quicker progress in negotiations with the Paris Club on rescheduling debt guaranteed by Western governments; this might open up, perhaps, chances for new guaranteed credits;

--Indirectly, this would pave the way for further relaxation for Polish exports--in trade with the United States (restoration of the most-favored nation status), other Western countries, and in Poland's foreign trade as a whole; some payment facilities would be connected with at least partial abandonment of the form of confirmed letter of credit asked from us in import, in favor of cash against documents;

--The possible removal of drastic import cutbacks would radically contribute to boosting Poland's production for the domestic consumer market and for exports;

--This would provide a major impulse toward making economic calculus in Poland more realistic; including the bringing of the official rate of exchange of the zloty against "hard" currencies closer to its real value (cf. analogous changes in Hungary) and the highly desirable closing of the wide chasm between the official and the black-market rates of exchange;

--An equally important impetus would be lent toward the enactment of long-term measures aimed at full convertibility of the zloty;

--Finally, the stringent conditions which the IMF often imposes on the authorities of member countries, especially those deeply indebted, may coincide--in substance and in time--with the requirements of domestic economic policy, thus consolidating the mechanism and policies connected with economic reform, sometimes even lending the fund's name to the latter.

Naturally, the possible admission into the IMF, upon the agreement of a sufficient majority of member states, will not provide a remedy for all our ills. It will not relieve us of our own everyday effort, and of increased caution in spending every dollar or a Deutsche Mark. It will not substitute for economic reform (which should be introduced at an accelerated pace), nor will it spare us major personnel changes or a search for more efficient national economic management. It will take years before full cumulative effects of membership will make themselves felt.

But first of all--and it is this writer's firm opinion--Poland's entry into the IMF would be generally interpreted as a successive bold and effective measure of the state administration (after the amnesty). Even if we know that this "milestone" on the road toward economic realism will not cure all our ailments (e.g., it will not substitute for the democratization of our political and social life), its importance may turn out hard to exaggerate. In the final effect, it should bring about an improvement

in the now very difficult living conditions and raise the living standards to a level which would tangibly alleviate the grey everyday life of the average Pole (at least in this one, palpable aspect). It would thus render hopes for a better future more realistic, especially for the young generation of Poles.

It is Poland's *raison d'etat*, in its widest sense, that this chance be taken up.

CSO: 2600/16

INDUSTRY SHOWS POOR EARNINGS PERFORMANCE RECORD DURING JAN-JUN 84

Warsaw ZYCIE GOSPODARCZE in Polish No 36, 2 Sep 84 p 15

[Article by Marek Misiak: "Financial Performance of Enterprises in the First Half of 1984"]

[Excerpts] For the sixth time already, we present the statistics of enterprise finances in the socialized sector of the economy, in breakdown by industry, at quarterly intervals. Thus, the present report on January-June 1984 provides some grounds for forecasting the end-year performance.

The figures, however, hardly warrant a claim that the goal of closer linkage between the financial performance of enterprises and their economic efficiency has been reached. This is still a process which proceeds at an absolutely too low pace, and sometimes inconsistently--which incidentally, throws some light on the feasibility of enhancing the impact of financial/economic instruments upon enterprise efficiency, as proposed in the now-consulted draft CAP for 1985.

Despite the 2-year period of the implementation of reform, the financial performance of enterprises has yet to attract due attention--also among some economic officials. It is still considered by many a plaything for accountants. Regrettably, this conviction is all too often reinforced by interference in the arrangements of reform with the help of various command-type methods which draw on quantitative indicators, while ignoring the financial situation.

One can only hope that such practices will be gradually eliminated.

Financial Accumulation

It is still in the patterns of prices and enterprise costs that serious limitations emerge to increasing the role of economic/financial instruments upon enterprise efficiency. While it is true that these patterns were improved 2 years ago, following the increase in prices of producer goods, the positive results of this were eaten away rather quickly by inflationary processes in the consumer market. And already then, the prices of many basic raw and intermediate materials, including coal, energy, and many imported items, were set at relatively too low levels. Among other

consequences, this necessitates at present high subsidies to the coal and other industries.

While the share of enterprise costs in the value of sales in the first half of 1984 dropped in the economy as a whole (by 0.7), the trend in industry was different. The share of enterprise costs in the value of sales rose in that sector from 83.6 percent in the first half of 1983 to 83.9 percent in January-June 1984, or by 0.3 point. This is a result of a 19.6 percent increase in the value of sales in industry and a 20 percent increase in enterprise costs.

Increase in the costs-to-sales ratio was reported in the following branches of industry: coal (from 116.1 percent to 120.9 percent), fuels (from 68.5 percent to 69.3 percent), power generation (from 85.4 percent to 85.6 percent), chemicals (from 84.5 percent to 85.4 percent), construction materials (from 85.3 percent to 87.9 percent), paper (from 90.3 percent to 91.4 percent), and food processing (from 79.4 percent to 81.5 percent).

In all these industries, the growth-rate of enterprise costs was higher than that of sales at current prices. In most cases this was caused by relatively high increase in average nominal wages--which was not offset by a corresponding increase in the value of production at current prices, let alone at constant prices.

Negative financial accumulation continued in many industries, and in some of them was even increasing. This was true, among other industries, of coal (Zl 52.7 billion, or 62.1 percent more than in the first half of 1983), dairy (Zl 49.1 billion, up 21 percent), grain-milling (Zl 18 billion, up 2.1 percent) and meat (Zl 1.2 billion, down 88.8 percent).

The highest accumulation continued in the spirit industry--Zl 196.3 billion in January-June 1984, which however represented a growth of only 5.5 percent, reflecting the several months' long slow-down in the dynamics of alcoholic drinks sales.

High financial accumulation was still generated in the following industries: automotive (Zl 42.4 billion, up 16.1 percent on the first half of 1983), refinery (Zl 74.2 billion, up 19.8 percent), electronics (Zl 24.1 billion, up 41.7 percent), and brewing (Zl 20.3 billion, up 6.9 percent).

Sales Tax and Subsidies

The combined sales tax of Zl 585.6 billion was 30.6 percent higher than in the first half of 1983. The highest share was contributed by the sector of industry, and especially its food-processing branches--spirits (Zl 190.7 billion, up 6 percent), brewing (Zl 17.2 billion, up 11.4 percent), wines (Zl 10.5 billion, up 45.1 percent)--as well as the refinery industry (Zl 63.3 billion, up 33.2 percent) and the automotive industry (Zl 21.6 billion, up 17.6 percent). In all, the sales tax in industry exceeded the corresponding level of 1983 by 25.2 percent.

As for state-budget grants to the financial accumulation of socialized enterprises, they totaled Zl 352.2 billion in the first half of 1984, rising 20.2 percent on the same period of last year. The total financial accumulation rose 21.6 percent in that time, which testifies to some welcome decline in the share of budgetary grants in financial accumulation.

The major item of budgetary grants are subsidies, representing 73 percent of the total in the first half of 1984. Compared to the same period of last year, subsidies rose 20.3 percent, or at a similar pace as that of taxes and other financial contributions. But compared to the 30.6 percent increase in sales tax, this was a much slower growth.

However, the situation differed substantially from one branch of industry to another. In the coal industry, for example, the increase in subsidies was by 63.5 percent (to Zl 63.9 billion).

Next to the coal industry, the greatest share in subsidies was claimed by the following industries: dairy (Zl 54.9 billion, up 15.8 percent), grain-milling (Zl 22.4 billion, up 8 percent), meat (Zl 15.9 billion, down 3.9 percent).

Outside industry, weighty subsidies were funnelled to the municipal economy (Zl 34.3 billion, up 14.4 percent), and to the sector of housing management and nonmaterial municipal services (Zl 35.9 billion, up 21.6 percent).

Net Financial Result and Profitability

The net financial result, or the balance of profits and losses, reached Zl 811.2 billion for all socialized enterprises in the first half of 1984, representing an increase by Zl 125.9 billion (18.4 percent) on the same period of last year. It came as the balance of Zl 944.8 billion in profit and Zl 133.6 billion in losses. While in the economy as a whole the growth-rate of financial result was slightly higher than that of sales and production costs, the reverse was true in industry (just as in the case of financial accumulation).

For each Zl 1,000 in socialized enterprises' sales, the balance of profits and losses accounted for Zl 82. In the first half of last year, the corresponding figure was Zl 79. In industrial enterprises, it was Zl 110 and Zl 115, respectively, which testifies to unquestionable deterioration.

Similar conclusions come from a comparison of the balance of profits and losses with enterprise costs (which is referred to as net profitability). In the whole body of enterprises under review, the former represented 9.1 percent of the latter, against 8.8 percent last year. In industry, a drop was recorded from 13.8 percent to 13.1 percent.

The deterioration was recorded in particular in the following industries: fuels (net profitability down from 17.1 percent in the first half of 1983 to 11.3 percent in January-June 1984), construction materials (from 16.2 percent to 13.3 percent, respectively), wood and wood products (from

12 percent to 10.4 percent), paper (from 11.6 percent to 10.8 percent), chemicals (from 18.4 percent to 16 percent) and food-processing (from 8.1 percent to 6.9 percent).

The relative improvement in profitability indicators outside the sector of industry was influenced in great measure by the construction performance. This aspect, however, requires a more detailed analysis. Enterprise costs were growing more rapidly in the construction sector than in industry (at a rate of, respectively, 20 percent and 21.7 percent). But while the value of sales at market prices [ceny realizacji] rose by 19.6 percent in industry, the corresponding figure for construction was 22.7 percent. As a result, the costs-to-sales ratio at construction/assembly enterprises dropped from 85.3 percent in the first half of 1983 to 84.3 percent in January-June 1984, with net profitability rising from 17 percent to 18 percent, respectively. In each Zl 1,000 worth of construction sector sales, the balance of profits and losses accounted for Zl 153, against Zl 145 a year earlier. The problem is, however, that the profits look like coming from price rises rather than reduction of building costs.

Net Profitability Differentials Among Industrial and Construction/Assembly Enterprises

Out of nearly 4,600 industrial enterprises, the negative value of net profitability was recorded in 77 enterprises. Among them, 15 firms reported losses in excess of 5 percent of their costs. After the first quarter of 1984, there were 84 industrial enterprises with net profitability in the red, including 46 ones with net profitability worse than minus 5 percent.

In the group of more than 4,500 industrial enterprises with positive net profitability, this indicator was in the 0-5 percent range in 472 enterprises, from 5 percent to 10 percent in 889 enterprises, from 10 percent to 15 percent in 1,081 enterprises, from 15 percent to 20 percent in 812 enterprises, from 20 percent to 25 percent in 528 enterprises, from 25 percent to 30 percent in 265 enterprises, from 30 percent to 50 percent in 274 enterprises, and above 50 percent in 100 enterprises. After the first quarter of 1984, there was a similar pattern of distribution.

In the group of 1,900 construction/assembly enterprises, there were 25 unprofitable ones at mid-year (18 with net profitability worse than minus 5 percent), compared with 71 (51) after the first quarter. Among the profitable firms, the costs-to-sales ratio in the 0-5 percent range was reported in 108 enterprises, from 5 to 10 percent in 29 enterprises, from 10 to 15 percent in 329 enterprises, from 15 to 20 percent in 286 enterprises, from 20 to 25 percent in 250 enterprises, from 25 to 30 percent in 192 enterprises, from 30 to 50 percent in 320 enterprises and above 50 percent in as many as 83 enterprises (against 76 in the first quarter).

It seems that the proportional formula of corporate income tax (rather than progressive, as was the case last year) leaves more room for profitability differentials among enterprises (which feel less restrained

in this respect). But comparison with the last and previous years is rendered difficult by the fact that the net profitability indicator is now calculated in relation to enterprise costs of [production and] sales, rather than processing costs.

Distributed Profit and FAZ

Enterprise profits were taxed in January-June with Zl 416.5 billion in corporate income tax--which represents a small 9.8 percent increase on the same period of last year. The ratio of distributed-profit growth to sales dynamics was as a result much higher than that of pre-taxed profit.

In the sector of industry, where pre-tax profit was growing at a slower rate than the value of sales, the after-tax profit, or profit for distribution, was recording a faster growth. Income tax in industry rose by just 6.4 percent.

In some branches of industry, the absolute amount of income tax was lower--even substantially--than in the first half of 1983. This was reported in fuels, means of transport, chemicals, construction materials, wood and wood products, and food processing.

With the available data, it is not possible to answer a question: to what degree was this relative slow-down in income-tax dynamics caused by the introduction of proportional tax formula, and to what degree by the rather widespread granting of preferential treatment (so-called concessions). It is only after some time that a more detailed assessment of the consequences of concessions will be possible.

FAZ contributions from socialized enterprises totaled Zl 31.7 billion in the first half of 1984, against Zl 14.5 billion a year earlier, representing an increase by 119.2 percent. In socialized industry, the respective figures were Zl 21.4 billion and Zl 8.3 billion, meaning a nearly 2.5-fold growth.

This might indicate some progress in utilizing the FAZ instrument. But FAZ contributions are still unproportionately small compared to the global increase in the wage fund. The latter amounted to Zl 550 billion in industry in the first half of 1984, which was more than Zl 100 billion (20.5 percent) more than in the same period of last year.

It is often asked how a high increase in the wage fund can be accompanied by so small increase in the global amount of FAZ contributions. According to the rules now in force, the threshold of FAZ-free increase in the wage fund is set at half the increase in net production, in comparable terms. With the 5 percent constant-price sold-production dynamics in socialized industry in January-June 1984 (compared to the first half of 1983), it is indeed surprising that the wage fund could increase in industry by 20.5 percent (more than Zl 100 billion) and that the FAZ tax equalled only 20 percent of this amount--all this in conditions of steep FAZ progression (up to 400 percent).

But we do not want to get too much excited about the wage-fund dynamics in nominal industrial wages. In other sectors of the socialized economy (construction included) the nominal wage fund was increasing at a much quicker pace than justified by the FAZ-free threshold and progression of FAZ taxation. The reason why we do not want to get excited is that in our opinion this threshold (just as the scale of progression) was defined too stringently. Even the planned 15 percent increase in prices (and, consequently, costs of living) was not taken sufficiently into account.

There are many indications that in the first half of 1984, just as in the whole of 1983, the net-production dynamics in so-called comparable terms (setting the basis for FAZ-free threshold) was much higher than could be judged from other economic/financial indicators. It can also be suspected that this state of affairs was greatly influenced by interference in the economic/financial system from parent bodies and other central institutions.

A question arises of how to ensure that the basis for FAZ-free threshold be put on a more objective footing, and how to reduce the departures from binding FAZ rules, while at the same time raising the threshold and alleviating the progression. This is an important problem, both as regards the increased influence of the reformed economic/financial system upon enterprise efficiency, planned for next year, and the future of economic reform after 1985.

Financial Results of Socialized Enterprises in the First Half of 1984
(a/ First half of 1983; b/ First half of 1984)

Specification	in billion Zl											
	1	2	3	4	5	6	7	8	9	10	11	12
	Financial accumulation and its distribution											
			Total		Taxation		Budgetary grants		Profit taxation		Cost coefficient ³	
			Sales ¹	Total	Total	Sales tax	Total	Subsidies	Finan- cial result ²	Income tax	PVAZ	Profit- ability ⁴
Socialized enterprises, total												
a/		8,643.3	892.2	336.1	448.3	392.1	292.9		695.3	379.2	14.5	90.5
b/		9,874.6	1,008.3	679.2	385.6	481.8	352.2		811.2	416.5	31.7	89.9
of which:												
Industry												
a/		3,786.7	617.9	364.5	360.2	182.4	168.1		435.7	251.1	8.3	83.6
b/		4,330.7	726.4	454.2	450.8	227.7	209.6		499.8	267.1	21.4	83.9
of which:												
coal												
a/		221.9	-36.1	0.0	0.0	45.2	45.2		9.1	0.1	-	116.1
b/		261.5	-55.1	0.0	0.0	70.1	70.1		15.1	0.1	-	120.9
fuels												
a/		225.9	71.2	47.6	47.6	3.0	3.0		26.5	19.5	0.1	68.5
b/		268.8	82.5	64.4	63.4	2.9	2.9		21.1	14.8	0.5	69.3
steel												
a/		236.0	10.7	0.6	0.6	7.7	7.6		17.8	9.3	0.4	95.3
b/		285.8	14.7	0.9	0.9	9.0	9.0		22.8	13.0	2.1	94.6
machinery												
a/		282.9	51.6	3.0	2.9	1.4	0.0		50.0	26.6	1.2	81.9
b/		329.1	60.8	3.4	3.3	2.2	0.0		59.6	31.2	2.9	81.5
precision engineering												
a/		41.0	9.6	0.5	0.5	0.1	-		9.1	5.6	0.0	76.6
b/		49.6	11.8	0.7	0.7	0.2	-		11.2	6.4	0.7	76.2
means of transport												
a/		284.9	60.4	20.7	20.6	5.7	0.6		45.4	27.8	1.3	79.1
b/		322.7	71.6	26.4	26.4	6.6	-		51.7	25.4	4.2	78.2
chemical												
a/		333.0	51.7	9.6	9.3	9.7	8.0		51.8	33.0	0.5	84.5
b/		391.3	56.9	15.3	15.1	12.1	10.0		53.7	31.2	1.3	85.4

1	2	3	4	5	6	7	8	9	10	11	12
construction	a/ 108.7	15.9	2.8	1.4	1.9	1.6	15.0	8.4	0.3	85.3	16.2
materials	b/ 125.1	15.1	2.9	1.5	2.4	1.9	14.6	8.0	0.9	87.9	13.3
textile	a/ 226.9	55.0	28.5	28.3	0.4	0.3	27.0	16.7	0.3	75.7	15.7
	b/ 286.0	76.8	42.8	42.5	0.4	0.3	34.4	19.5	0.6	73.1	16.5
garments	a/ 89.6	11.8	0.4	0.4	0.1	0.0	11.5	5.9	0.3	86.9	14.8
	b/ 110.4	14.5	0.4	0.4	1.2	0.0	15.2	7.4	0.3	86.9	15.8
food-	a/ 858.2	173.8	214.7	213.1	95.9	94.3	55.0	32.7	1.5	79.4	8.1
processing	b/ 1,006.3	183.9	232.8	232.7	105.5	104.8	56.6	31.9	2.7	81.5	6.9
Construction	a/ 492.2	71.5	0.3	0.3	0.3	0.0	71.4	33.1	0.8	85.3	17.0
	b/ 603.9	92.3	0.6	0.5	0.3	0.0	92.1	44.6	1.9	84.6	18.0
Rail	a/ 85.5	-29.7	0.0	0.0	39.2	39.2	9.5	7.0	0.0	136.3	8.1
transport	b/ 112.3	-27.3	0.0	0.0	38.2	38.2	10.9	2.3	0.4	125.1	7.8
Road	a/ 114.1	9.6	0.1	0.1	7.3	7.3	16.8	7.4	0.7	92.0	16.0
transport	b/ 135.2	12.5	0.1	0.1	8.8	8.8	21.1	9.2	0.8	91.2	17.1
Domestic	a/ 1,391.7	47.7	10.7	4.9	5.3	4.1	42.4	18.2	0.8	97.7	2.2
retail trade	b/ 2,176.8	60.1	13.8	5.1	8.2	7.3	54.5	25.6	1.1	97.5	2.6

1. At market prices
2. Balance of losses and profits
3. Ratio of total enterprise costs [koszty własne] to sales
4. Ratio of the financial result to total enterprise costs
5. Excluding PGR state farms, RSP farm cooperatives and farm circles' cooperatives

OFFICIAL DISPUTES 'INCORRECT' DEBT SERVICE DEFERRAL IDEAS

Warsaw NOWE DROGI in Polish No 8, Aug 84 pp 61-70

[Article by Witold Bien, deputy finance minister: "Solving the Debt Problem"]

[Excerpts] Poland's debt in convertible currencies amounted to \$26.4 billion at the end of 1983, after a \$1.6 billion increase in that year. It produces severe tensions in the country's balance of payments--not only because of the huge absolute level involved but primarily because this level exceeds five times the value of convertible-currency export earnings (which reached \$5.4 billion at the end of last year). If the end-of-1983 debt stayed unincreased, the annual interest fees would run at \$2.6 billion. And the original timetable for debt repayments is unfavorable. If it were to be obeyed, the 1984 repayments would approach \$15 billion.

A concept of solving the country's convertible debt must not be separated from international developments in the field. But in the first place, it should focus on Poland's conditions and on selecting the optimal way out. What is needed in particular is to overcome the economic regression (compared to the pre-crisis level) and to put the economy on a path of normal development. At the same time, we should have a prospect for dislodging the burden of excessive indebtedness, which now hampers economic development.

Working on precisely these assumptions, incorrect views are sometimes voiced, to the effect that in the years ahead we should seek almost full suspension of foreign debt servicing and to spend the entirety of current export earnings on production-supply and modernization imports, which would permit a quicker recovery from the crisis and even some improvement in the internal consumer-market situation. According to this view, debt servicing might be resumed until obtaining such an increase in national income and export earnings which would allow us to meet the obligations without major sacrifices.

At first sight, this may seem an attractive concept, but in the light of figures it turns out unrealistic and perpetuating the balance-of-payments tensions for future generations, rather than removing them.

This can be explained on a simple numerical example, taking into account the costs of debt deferment, in the form of compounded interest fees. Assuming that the repayment of the entirety of our debt at the end of 1983 (\$26.4 billion) is postponed for 5 years and that no due interest fees are paid in that period (but added to the principal, at 10 percent annually), our debt would grow to \$42 billion after 5 years and \$67 billion after 10 years. While it is true that during that period some export revenues could be spent on development (which should also be reflected in quicker export growth), it must be stated that our debt would then reach unmanageable proportions. This is the reason why responsible politicians will find unacceptable the concepts of full postponement of debt-repayment start-up into remote future.

Proceeding from realistic assumptions, however, it is neither possible to repay our convertible-currency foreign obligations at originally defined deadlines. In 1984, these obligations exceed our export earnings 2.5-fold. Nor is it possible to fully finance current interest fees (some \$2.6 billion) from export earnings in a situation where we have to meet our import requirements (without which the economy would not only fail to develop but actually would fall into another regression). More than that, the reduction of import spending in 1983 was pushed to the limits of endurance. If further cut down, it would lead to serious disturbances, whereas what we need in the coming years is further moderate increase in imports--in step with production growth which, in turn, should be connected with quicker restoration of the 1980 level of exports and their further expansion. In these circumstances, the solution of our debt problems requires that many multifaced, interconnected measures be taken.

First, it is imperative that our convertible-currency exports be rebuilt and expanded as quickly as possible, bringing with them the benefits of deepened international division of labor. Data on per-capita exports in Poland and other countries show that this is both possible and necessary (in order to have the country's balance of payments in equilibrium). Growing export revenues should make it possible to improve the availability of imported supplies and to lay groundwork for gradual repayment of foreign obligations.

Secondly, we should reconcile ourselves to the fact that for several years ahead, despite growth in convertible exports, our debt will be on the increase. We cannot yet afford to pay interest fees in full. But the increase in debt should be gradually slowed--up to its stabilization--by means of increasing, from year to year, the excess of export earnings over import expenditures. From that moment on, the process of debt reduction could be started. In other words, a payments policy is needed under which:

--Annual export-revenue increments would be partly used for improving the situation in the field of imported supplies, and partly for increasing the excess of [export] earnings over [import] expenditures up to a level permitting full payment of due interest fees; such a moment could come in 1987-1988, if the situation develops as it should;

--After checking the debt growth and its stabilization at \$32-33 billion, the process of repaying the principal debt could be started; its level being gradually reduced to a rational size (which in principle should not exceed 100 percent of our annual convertible currency earnings on account of the export of goods and services and remittances).

These assumptions are reflected in the Sejm-approved National Socioeconomic Plan for 1983-1985, which calls for an increase in convertible trade exchanges to be coupled with a year-by-year increase in the excess of export earnings over import expenditures (including the surplus on invisible trade, i.e., services and remittances). And, as shown by data on 1983 and 1984 (see the table), those assumptions are being put into practice.

Payments Operations on Account of Convertible-Currency Export and Import of Goods, and the Balance of Invisible Operations (in terms of U.S.\$)

Year	Trade in goods			Balance of invisible trade	Overall balance (4 + 5)
	Exports	Imports	Balance		
1	2	3	4	5	6
1980	8.0	8.8	-0.8	+0.4	-0.4
1981	5.5	6.2	-0.7	+0.4	-0.3
1982	5.0	4.6	+0.4	+0.4	+0.8
1983	5.4	4.3	+1.1	+0.4	+1.5
1984 (plan)	6.2	4.7	+1.5	+0.5	+2.0

The above data show that export revenues exceeded import expenditures (trade surplus of \$0.4 billion) already in 1982 (for the first time since 1971). The surplus grew to \$1.1 billion in 1983, and this year is expected to reach \$1.5 billion (and up to \$2 billion, including the surplus on invisibles). Characteristically, while expecting a \$0.8 billion increase in convertible-currency export earnings in 1984, compared to 1983, planners called for an increase in trade surplus by \$0.4 billion and a simultaneous \$0.4 billion import growth. The goal is that export growth should help improve the availability of imported supplies, within rational limits, while at the same time providing a basis for checking debt growth. But we will not afford in this and the next 3 years to fully stabilize the debt without making drastic major import cuts (which would, in turn, jeopardize export targets).

Thus the selection of a solution to our payments problems, which would be optimal in existing conditions, requires that the repayment of part of our obligations be postponed--but in such a way as to checking debt growth (and creating the basis for its reduction) as quickly as possible, without major damage to the current requirements of the economy. It should be realized that the postponement of debt repayment is costly--the more costly the longer the period of deferment. And the goal is that this cost be reduced to the necessary minimum--to the cost of breathing space that the economy should get in the period of recovery from crisis. But it is impermissible that the postponement of debt repayment be treated as a means of boosting

current consumption or raising social benefits. Their increase should come only as a result of greater wealth, to be generated through better quality and productivity of labor. An attempt at postponing debt repayment for the purpose of improving the current level of consumption and social benefits would mean a simple repetition of the errors of the 1970's. What the deferment of payments deadlines should produce is to improve the supply to the economy of raw materials and semimanufactured goods, and components necessary for its quicker stimulation. This would also make possible the activation of exports, and it is only the resulting increased revenues that would permit further improvement in meeting the import requirements, while at the same time helping to check debt growth and, subsequently, reduce its absolute level.

A concept of solving Poland's debt problem must take into account agreements with creditors, of which three groups can be distinguished.

The biggest part of our liabilities (nearly \$15 billion) is in the form of so-called guaranteed debt. Toward the end of 1983, the Paris Club, while abandoning its political conditions, asked Polish representatives to resume talks on delayed payments. The proposal was accepted and the negotiations were resumed. It is to be hoped that they will be crowned with a relevant agreement, the conclusion of which should be closely connected with the normalization of relations in the field of finance and credit--involving [Poland's] renewed access to some guaranteed credits on normal terms, and a positive response to Poland's application of 6 November 1981 to rejoin the International Monetary Fund and the International Bank for Reconstruction and Development.

The next item of our debt are nonguaranteed credits extended to us by more than 500 Western commercial banks. They now amount to some \$7 billion (against \$7.5 billion in 1981). Initially, the banks followed the principle of gradual restructuring of our debt, confining themselves to sums falling due in particular years. And so, separate agreements were signed for payments falling due in 1981 (in Frankfurt), 1982 (in Vienna) and 1983 (in Luxemburg). The correct implementation of the agreements by both sides provided a basis for final restructuring. Last July, in London, an agreement was signed on the restructuring of our debt to Western commercial banks falling due in 1984-1987. The agreement represented an important step toward the solution of our debt problem. While it covers only 25 percent of our whole debt, it guarantees smooth servicing of our export/import operations by foreign banks, and it offers chances for gradual normalization of banking cooperation--also in the sphere of crediting (and particularly export-stimulating credits).

The third group of our debt (ca. \$4 billion) has to do with various other credits. Included here, for example, are our convertible currency liabilities to the USSR postponed for a longer period of time on favorable terms, liabilities to the Moscow-based International Investment Bank, and to many countries that are not members of the Paris Club. Repayment of these obligations is negotiated on bilateral basis.

The lines of action toward solving the problem of debt in convertible currencies, as sketched in this article, show that disloading the debt burden is feasible, provided that effort is focused on systematic growth in export up to a level corresponding to this country's economic potential. This export growth should make possible gradual improvement in the flow of production supplies to the economy--in order to fully utilize its potential and to increase surpluses, enabling debt growth to be checked at first and then repaid. This is precisely the goal pursued by Poland's economic policy.

CSO: 2600/15

TARGETS SET IN 1985 PLAN TERMED 'WISHFUL THINKING'

Warsaw ZYCIE GOSPODARCZE in Polish No 35, 26 Aug 84 pp 1, 6

[Article by Marcin Makowiecki: "Agriculture in the Draft Plan for 1985: Wishful Thinking or Real Capabilities?"]

[Excerpts] In the draft plan for 1985, food is listed in the first place among the basic social goals. The situation on the food market has improved of late, but planners still have to cudgel their brains on how to organize economic activity in order to meet the requirements of agriculture and to prop up the emerging welcome trends in farm production.

The importance of food has anything but diminished. Food purchases absorb a greater share of household budgets than before (46.8 percent in 1982, without alcoholic drinks and cigarettes), and the availability of foodstuffs is a major factor determining the quality of everyday life. The food market is functioning better than other ones, which speaks well for various kinds of interventionist measures, but with most basic foodstuffs still rationed the situation is certainly far from normal.

Thus the major question--also in the course of consultation over the 1985 plan targets--remains to be the following one: Is the attainment of 1983-1985 plan targets for agriculture and of the Sejm-adopted program on the expansion of the food-producing complex to 1990 guaranteed by the conditions provided by the nonfarm sectors and by farmers' reaction to them? The problems involved include the availability of producer goods, economic policy, and organizational conditions in which the farmers operate.

The proposed draft Central Annual Plan (CAP) for 1985 provides for increases in: producer goods supplies to agriculture (including 9.5 percent growth in machines and equipment), the share of the food-producing complex in domestic capital investments (up to 30 percent), consumption of fertilizers (up to 195 kg, in nutrient content, per hectare), supplies of pesticides (by 14 percent), and spending for land improvement. This information, although visualizing the general tendency toward improvement in production conditions, does not suffice to learn whether, to what degree, and in which segments, the agricultural requirements will be met. This would require the knowledge of more detailed planning documents, of the physical structure of material resources earmarked for agriculture, and of the latter's connection with the goals set before the farming sector.

With What Means

It seems that planning documents such as the CAP should include not only a list of the expected indices of agricultural production, but also a detailed information about the means with which to achieve these ends, and references to [longer-term] plans adopted at earlier stages and still binding. Only by comparing these pieces of information can one assess whether or not the plans are realistic, whether the farm production targets are being pursued, what kinds of dangers are facing agriculture, and what comes from the latter's cooperation with other sectors of the national economy.

The agricultural chapter of the proposed CAP draft, submitted to the public for consultation, focuses more on the goals and much less on the means of attaining these goals. We are not informed about the planners' concept of the functioning of major farm policy instruments which, as is known, should provide favorable conditions for the expansion of agricultural production. This instrumentation, although very rich (the system of operational programs and government orders, export-import policy, procurement and producer-goods prices, creation of organizational conditions for the development of farm output, etc.), were presented in the draft CAP in a very fragmentary manner, and some problems (e.g., the instruments of economic policy in respect to agriculture) were omitted entirely.

A Plan or a Forecast?

The document includes tables with detailed data on the expected harvests of major crops in 1985 and (on the basis of expected 1984 performance) growth indices. In contrast to industry, the year-by-year approach to agricultural planning may prove ineffective. Growth indices for crop production are related to figures which are unknown at the stage of drafting, and besides the output levels adopted in this forecast are not always close to "safe" figures suggested by long-term trends.

Experience shows that individual years may witness even substantial deviations from the average output figure, coming as a result of more or less favorable weather. Production may drop even after careful agrotechnical preparations, and 3 good years in crop production provide no assurance of a good harvest in the fourth year. Therefore, a more appropriate method would be to rely on long-term average from the past two planning periods--1976-1979 and 1980-1983--as the basis for plan indices. This would better correspond to the realities of our agriculture rather than reflecting wishful thinking, even if best motivated.

Naturally, the attainment of the CAP targets for crop harvests is possible in favorable conditions, but a worse result is equally probable. The more so as the monitoring of long-term trends and the assessment of the material basis (a 4-year drop in spending on production, between 1980 and 1983) would justify greater caution in formulating the growth targets (such as the increase in grain production by 800,000 tons) and other expectations ("the continuation of the high level of sugar-beet harvests recorded in the past 3 years will exert a positive influence upon the livestock-feed balance").

The attainment of the CAP target of 1 quintal growth in grain yields would require a 7 kg increase in nitric-fertilizer consumption per hectare. With the expected 55,000-ton increase in the supply of nitric fertilizers (in nutrient content) in 1985, this target is hardly feasible.

Nor are the doubts dispelled by comparisons with 1980--an exceptionally bad year, permitting spectacular growth indices in next years. Such comparisons may help score some propaganda points (which is not without importance), but are no reliable basis for planning.

A clearer picture emerges in animal production. Its expected growth is based on the level of livestock population (which is known), on the emerging development trends, and on the expected good harvest of fodder crops this year. But the continuation of these trends in the second half of 1985 will depend on next year's harvest and the attainment of plan targets for feed-concentrate imports.

Some experts have doubts about the plan target for hog production growth by 180,000 tons (11.1 percent), especially in a situation where the hog population is going to be rebuilt (which is not identical with increasing the hog supply at procurement agencies).

There are more questions here. With the growth in expected feed resources (especially the protein-rich feed) proportional to the increase in livestock herds, an improvement in the efficiency of feed consumptions seems feasible. According to the report on the state of agriculture, the consumption of feed per 1 kg of animal production rose from 7.77 grain equivalent units in 1976 to 8.31 units in 1983. It can be concluded that shortage of feed is no longer a factor limiting animal production growth. On the contrary, feed is being consumed irrationally, which reflects its wrong structure (in terms of quality) and in particular the breakdown in protein-feed imports last year. Regrettably, it is not possible to assess, on the basis of the consulted document, whether the measures provided for in the CAP will stimulate more efficient utilization of feed.

Continuity of Planning

Society has a right to know the causes of the difference between the targets of the National Socioeconomic Plan [NSEP] for 1983-1985 and the 1985 performance as expected in the CAP. This problem, concerning mainly the animal production segment, was discussed in the report on the state of agriculture, presented at a Sejm session, but is absent from the document submitted for public discussion by the Planning Commission. The reader will find neither a presentation of the scope of differences and of their causes, nor an action plan aimed at reducing these discrepancies as much as possible. Naturally, this does not mean that I don't see a need for updating the NSEP.

According to the NSEP for 1983-1985, the cattle herds were to reach the level of 12.5 million head in 1985 (the CAP provides for 11.5 million) and the hog population 19.5 million tails (against 17-17.5 planned in the CAP).

Only the record-high sheep population has topped the NSEP targets. It is known now that the production of meat livestock will not reach the planned level (less by 200,000 tons on an annual basis), despite the planned growth in the poultry segment. Close to the NSEP target will be--according to the draft CAP--the production of milk; and its procurement is to exceed the level planned in the past.

Irrespective of the discrepancies between the draft CAP for 1985 on the one hand and the corresponding provisions of the NSEP and of the food expansion program on the other, most segments of agricultural production recorded better performance this year than in 1983, which proves that the downward trends (especially in livestock breeding) were reversed and that the policy of production stimulation brings effects. But the problem is that these trends should be propped up and consolidated. Given the production-supply troubles of agriculture, this will be a very difficult task.

The draft CAP calls for an "intensification of agricultural production." But as matters stand, we have been witnessing for the past several years an "extensification" of production, or drop in spending per hectare, and this trend has yet to be reversed. I am afraid that its consequences will soon make themselves felt. According to the government report on the state of agriculture, the spending per hectare of farmland (at constant prices) was falling throughout the 1980-1983 period (from Zl 28,277 at the beginning to Zl 26,912, Zl 21,386 and Zl 20,760 in later years).

In the light of these data, doubts arise not only about the claim of intensification of production, but also about the statement that "supplies to agriculture of some basic producer goods will be growing at a quicker pace than that of farm output." The question is to which level this will be related. And it may be noted that the performance scored by the farmers--at reduced spending--gives testimony to the rationality of their operations. This year, too, as transpires from the Agriculture Ministry information, the planned deliveries of producer goods to agriculture will be implemented in a diversified way.

It Is Better But -

Fertilizer supply targets for the crop year 1983/84 were underfulfilled, especially in potassic and nitric fertilizers. Fertilizer consumption per hectare will stand at 178 kg (in nutrient content) instead of the planned 186 kg. Shipments of fertilizer lime are going according to plan, and so are the supplies of machines and spare parts (although some delays are also reported here--in plows, seeders, steamers, spraying and milking machines).

Exports of food and farm produce to hard-currency markets are running well this year, and the quantitative targets of the plan are going to be exceeded. There is a worse situation on the import front. It is expected that the import target will be met in only 80 percent. The most endangered items include high-protein feed, fishmeal, chemical additives to feed, and edible vegetable oils. As is known, the cutbacks on feed-component imports last year, while improving the nation's balance of payments in the short

run, had the effect of reducing livestock production and, in consequence, forcing increased meat imports.

The planned 29 percent share of the food-producing complex in capital investment will be missed. It will stand at just 25 percent. The causes include financial difficulties at enterprises, failure to earmark sufficient funds in local budgets, and the expected overfulfillment of capital spending in other areas. Besides, the projects under construction are being built with great delays.

Agriculture Needs Support

What the situation will be next year? All expectations of increasing crop production (by 2.1 percent), animal production (4.3 percent) and efficiency (increase in net output by 4.1 percent) should be linked to the actual conditions created by agricultural development.

At stake are not only the producer goods. Agriculture's economic and financial system is of equally great importance. Acceptance of the general principle of profitability of farm production does not prevent differences of opinion on more detailed aspects. The consulted document does not throw light on price policy throughout the food-producing complex next year, so it is not possible to judge whether or not the economic financial system will stimulate motivation to produce an improvement in efficiency. The principles of economic policy also cover such areas as credits (their share in financing farmers' expenditure on production has decreased in recent years), provision of necessary resources to counter disinvestment in the food-processing industry, inventories financing, et

The omission of all these issues in the proposed draft CAP may suggest that the role of economic instruments of the state's farm policy is being neglected.

The availability of producer goods will be of decisive importance for the continuation of the emerging upward trends in production. Will it be possible, with the limited capacity of the chemical industry, to increase the shipments of fertilizers to the planned level of 195 kg per hectare? An increase in the supply of pesticides--the major yield-boosting reserve at present--depends on the level of imports which are also decisive for the supply of feed resources. The Ministry of Agriculture puts indispensable purchases at no less than 1,300,000 tons of high-protein feed, and \$40 million worth of chemical additives.

The expected increase in the supply of machines and equipment is to result, according to the Agriculture Ministry information, in greater availability of equipment for the tilling and harvesting of agricultural products, including fodder crops. The existing level of tractor sales (60,000 units a year) will be maintained, although there will be still too little high-power tractors. But there are no indications of improvement next year in several vulnerable areas.

The planned deliveries of farm trailers (16,000 pieces) will not equal even a half of the requirements, and the demand for milking machines will be met in just 50 percent. For lack of tires, thousands of machines and vehicles are inoperational. There are too little farm vehicles and batteries. Land improvement plans will not be fulfilled unless the supply of earthmoving machinery (excavators, dozers, etc.) improves. In these circumstances, the production of some pieces of equipment by farm-servicing units, and increased reconditioning of parts, tires and batteries offer only a piecemeal solution.

Much has been written about the waste of agricultural raw materials on account of poor processing, lack of storage area, etc. The greatest requirements are now in the grain-milling, dairy, vegetable-oil, sugar, fruit/vegetable and tobacco industries. As shown by past experience, what is needed for the completion of planned investment projects is not only the project-building capacity but also some systemic arrangements, such as the right of enterprises to keep their depreciation allowances [rather than sharing them with the budget], budgetary subsidies, and tax relief for enterprise projects promising better utilization of local raw materials.

All these problems show the enormity of negligences and delays in the supply of agriculture and other branches of the food-producing complex (even though the progress achieved in some other areas must be recognized). Therefore, the plans and expectations should be geared to the actual capacity of the economy and to what the farmers can do on their own. No matter how intensely we may wish farm production to increase in step with our requirements, this will not come out until the pattern of the national economy is changed in favor of food, to be treated as an unquestionable social priority.

CSO: 2600/16

SUCCESSSES OF LOAN PROGRAMS FOR FARMERS

Bucharest AGRICULTURA SOCIALISTA in Romanian 9 Aug 84 p 7

[Article by St Sarbu: "Continued Support for Rural Farm Production Increases"]

[Text] "Keeping in mind the important role of credit cooperatives, we must intensify our efforts at attracting new members, at bringing in social groups and at increasing the number of member loans, especially those for the purchase of animals, agricultural machinery and equipment, the construction of stables, the provision of hothouses and other productive enterprises."

(From the message given by Comrade Nicolae Ceausescu to the 7th Congress of production, purchase, product sale and credit cooperatives).

Fully devoted to socialist competition, credit cooperative workers have achieved unusual results in the commercial and financial activity of the first 7 months of the year, results with which they welcome the 40th Anniversary of the revolution of social, national, anti-Fascist and anti-imperialist liberation and the XIII Romanian Communist Party Congress.

1. The plan for loans granted to cooperative members has been fulfilled 107 percent.
2. The goals for loans granted to farms for productive enterprises has been exceeded by 16.6 percent.
3. The amount brought in as a social fund was 2.4 percent larger than planned.

1954 is the year when the former popular banks were reorganized on new bases, becoming credit cooperatives. Decree 455 of that year, which authorized the constitution of credit cooperatives a public organizations of an economic nature, was intended, in particular, to attract the people's money and make it grow. That is why, since then, apart from the granting of loans from their own funds, the credit cooperatives have developed activities for C.E.C., as well as operations for the agricultural bank (the granting of credits and payments for produce) and ADAS (payments, compensations and the conclusion of optional insurance).

1973 constituted a particularly important year in the development of credit cooperatives. As a consequence of goals sketched by the 10th Party Congress and the Plenum of the Central Committee of the Romanian Communist Party in March, 1970 for the greatest possible support to members of agricultural and production cooperatives and to peasant farms from non-cooperative zones for increasing agricultural-nutritional produce on personal plots of ground, the full development of meadows, pastures and natural hay fields and the increase of animal products--CENTROCOOP made proposals to improve the organization of credit cooperatives, increasing their roles and functions.

These measures, approved by the Secretariat of the Central Committee of the Romanian Communist Party, have transformed the credit cooperatives into instruments of real support for the associate members, contributing ever increasingly to the realization of the policy of expansion of the material well-being of farmers.

The nearly 800 cooperative organizations today count approximately 4.4 million members and play an important role in developing a spirit of association and mutual assistance, in education and in attracting the populace to good money management habits. This is the result of party support for the activities developed by the credit cooperatives in accordance with the directives and goals sketched by the General Secretary of the Party and President of the Republic Comrade Nicolae Ceausescu, in a speech delivered to the 5th Congress of cooperatives and in messages addressed to the 6th and 7th Congresses, particularly important reference points for the life and activity of these organizations.

As an expression of the party's concern, a report on the activity of the credit cooperatives was examined May 30, 1983 in a session of the Executive Policy Committee of the Romanian Communist Party's Central Committee. It indicates at that time that it would act to increase the volume of activity of increasing the number of members in the social fund. In particular it asked that the loans given out be aimed, first of all, for the development of agro-food production.

Actively fighting to implement these goals and realize a unique program of growth in agricultural production on the personal farms of the member agricultural production cooperatives and on the individual production farms, the credit cooperatives have obtained very good results. Particularly important is the measure taken to increase loans for production enterprises to 25,000 and to allow for payback in 48 installments. In the first semester of this year, the credit cooperatives have granted production loans with a total value 14 times greater than in all of 1965. All of the sums received by members were used for the increase and development of basic materials needed for raising animals, birds, bees, silkworms, mushroom production, vegetables and fruits, as well as for purchasing agricultural equipment, chemical fertilizers and construction materials. All of the farms benefitting from production credits concluded contracts to increase the surplus of agro-food

output through production, purchase and product sale cooperatives. Thus an equitable exchange of products is developed between town and village, between industrial products and agro-food products. At the same time, by selling the products obtained, cooperative farmers and those with individual farms obtain supplementary income which contributes to the growth of their material well-being.

It should be mentioned that the credit cooperative organizations develop their economic activity on the basis of their own funds, the largest part (almost 83 percent representing a social fund drawn from their own members. By the end of the year the social fund taken in will rise to almost 3.5 billion lei, representing an average of about 700 lei per cooperative member. Thus there are quite a number of farms which have deposited appreciable sums as a social fund.

The large volume of credit cooperative activity--in 1984 up to 15 billion lei, 20 times more than in 1965--and the sound management of the funds themselves has resulted in the achievement of very significant benefits year after year. It is a significant fact that benefits are forecast to be 8 times greater this year than in 1965.

The approach of two events this year--the 40th Anniversary of the historic act of the 23rd of August and the 13th Party Congress--provides new impetus to credit cooperatives for exemplary fulfillment of the goals laid down in party and state documents, in the message given by Comrade Nicolae Ceausescu to the 7th Congress of production, purchase, product sale and credit cooperatives: The intensification of efforts to attract a larger number of members and to increase the social fund, to enlarge the total number of loans granted, especially those intended for productive enterprises. The results obtained in the first 7 months of this year are a guarantee of the exemplary fulfillment of the goals of the 1984 plan and of the obligations assumed in socialist competition.

9794

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PURCHASES, USE OF ELECTRONIC EQUIPMENT ANALYZED

Bucharest COMERTUL MODERN in Romanian No 3, May-Jun 84 pp 13-17

[Article by Dr Dina Lupu, Laureana Urse: "Changes and Trends in the Electronic Consumer Durables Market in Romania"]

[Text] The consumption needs structure of the population has developed and diversified continuously under the conditions of the current dynamic economic growth resulting directly from the contemporary technical and scientific revolution. When examined from the viewpoint of time, the entire economic policy of our party and state is seen to have been characterized by sustained effort to meet the needs of the population, an attempt being made during each stage to optimize the correlation of development with welfare embodied in a unified scientific concept of the long-term development of Romanian society. An instructive fact in this connection is represented by retail merchandise sales, which have been marked by vigorous growth in recent decades.

Consumer durable goods account for an increasing share of the sales of non-food commodities, as a directly consequence of the role which these goods play in improving the degree of civilization, culture, and comfort of the people. The dynamic nature of the needs which they satisfy, an expression of modern life, has favored continuing expansion of the market for these goods, among which a prominent place is held by electronic products.

The electronic consumer durables market has expanded against the background of continuing public demand and development of a domestic electronic industry which from year to year has recorded substantial progress from the viewpoint of production volume and structure and that of structural, functional, and esthetic performance.

The public demand for these goods, as shown by the sales curve, has grown steadily over the long term. Thus, the sales of electronic appliances, expressed in current prices, increased by a factor of 2.6 over the 1965-1982 period, this corresponding to an average annual growth rate of 5.7 percent. It may be said that over this entire period the increase in public demand was almost entirely extensive in nature in the case of television sets (purchase usually of a single set per family), while the demand was intensive as well as extensive in the case of radios.

As a direct result of the way in which the supply of electronic merchandise and the regulations governing its marketing have evolved, retail sales exhibit different developments and trends for each commodity, as is to be seen from the data in the following table.

Table 1. Dynamics of Electronic Merchandise Sales, 1965-1982 (in Percent)

	1982/ 1965	1980/ 1965	1978/ 1965	1975/ 1970	1980/ 1973
(1) — Radiorecorders	141	186	109	142	155
(2) — Televisions	154	289	153	163	113
(3) — Magnetic tape	1284	1817	339	33	907
(4) — Cassettes*	—	—	—	—	201
(5) — Records	104	211	121	157	137

*Marketing began in 1973

Key:

1. Radios
2. Television sets
3. Tape recorders
4. Cassette tape recorders
5. Record players

Over the long term the most vigorous growth has been recorded by sales of tape recorders (an increase of about 14 times in 1982 relative to 1965), a situation explained by the low level of sales in 1965, sales of television sets growing by a factor of 1.5 and radios by a factor of 1.4. The increase in the sales of record players is less significant over this period; their sales levels have remained close to each other from year to year.

The increase in retail sales has resulted in constant rise of the level of public ownership of these appliances. Thus, at the end of 1983 there were 262 radios and 217 television sets per 1000 inhabitants. Relative to the 1965 level, there were on the average 7.5 times more television sets and more than twice as many radios per 1000 inhabitants. Over the 1971-1982 period ownership of tape recorders and cassette recorders increased by a factor of 5.5, and that of record players by a factor of 2.0.

The more pronounced growth of television and record player ownership is an expression of the fact that the process of providing these goods for the public began after the 1960's, while in the case of radios the process began much earlier.

It is not only the aggregate data and those relating to provision of different segments of the public with such goods that are significant. The information obtained by surveys conducted among households by the Institute of Domestic Trade and Tourism Economy in 1975 and 1982 has revealed the occurrence of significant changes expressed in more pronounced growth between the two dates in rural households (by a factor of 2.5 for television sets,

as against 1.1 in urban households). The data indicated a degree of ownership near saturation in the case of households in the population segment made up of engineers, economists, and specialists (nearly 1 television set per household), along with the phenomenon of ownership of more than one set in the case of radios (more than 1.2 sets per household). At the same time, the ownership levels came closer together in households in different population categories.

	In percent	
	1975	1982
Radios		
-- rural versus urban environment	71	73
-- workers versus engineers, economists, specialists	64	67
-- farmers versus workers	68	81

Television sets		
-- rural versus urban environment	25	57
-- workers versus engineers, economists, specialists	63	83
-- farmers versus workers	19	53

The disparities in ownership among different population categories are greater in the case of tape recorders, cassette recorders, and record players, because of the specific nature of these items:

	In percent based on 1982 data	
	Tape/cassette recorders	record players
-- rural versus urban environment	15	46
-- workers versus engineers, economists, specialists	41	78
-- farmers versus workers	11	44

A specific feature of household ownership is the presence of more than one copy of a set, as has been noted, this is more pronounced in the case of radios than in that of television sets. Thus, about 10 percent of the total number of households covered by the survey conducted in 1982 have 2 radios, while the share of households with 2 television sets is 3%. Ownership of more than one of a particular item is higher among urban households than among rural ones, and among households in the "engineer, economist, specialist" and "technician, civil servant" categories than among farmer and worker households.

As regards the chief combinations of electronic appliances owned, first place is held by households with a television set plus radio (35.0 percent), followed in order by those owning only a television set (23 percent)

or only a radio (9 percent). Fourth place is held by households owning a television set plus radio plus cassette recorder (5.0 percent), they being followed by television set plus radio plus tape recorder (4.0 percent) and television set plus radio plus record player (3.4 percent) combinations.

Considering the level of ownership at the end of 1983, it follows that the Romanian population owns 5.9 million radios and 4.9 million television sets. To these figures are to be added significant numbers of tape/cassette recorders and record players.

Processing of the information obtained in the 1982 survey has shown that the average age of the appliances were 8 years and 5 months in the case of radios, 8 years and 10 months for television sets, 8 years and 7 months for record players, 6 years and 2 months for tape recorders, and 5 years and 1 month for cassette recorders. On the basis of the average rated service life (12 years for television sets and 13 years for the other electronic appliances), it follows that the oldest appliances currently owned by the public are radios, television sets, and record players, while tape recorders and cassette recorders (marketing of which began at a later date) are of more recent vintage in the appliance ownership structure. The data show indirectly that the replacement demand is higher in the case of the appliances in the first group. According to the information of the statistical survey, television sets go out of service after 13 years and 2 months and radios after 12 years and 9 months. The main cause of removal from service has been normal wear in the case of television sets (73 percent). Obsolescence was given as the reason for replacement in a much smaller number of cases (27 percent of the total number of households replacing their television sets).

As regards the fate of appliances removed from service because of normal wear, about one-fifth of the total number of these sets are sold through consignment shops or to individuals. It should be noted that nearly three-fifths of these appliances are maintained in the household or are destroyed. In the case of television sets out of service due to normal wear, most of them are given to friends and relatives or are sold to individuals. In this case as well, a relatively high percentage is represented by disabled sets kept in the household.

This use structure of disabled television sets shows the need for better organization and conduct of the activity of acquiring and disposing of these appliances by various ways and means.

We must note that the table or console model predominates among the radio sets owned by the public (55 percent), being followed by the portable (42 percent) and, at a very great distance, by the auto radio (3 percent). In the case of television sets, 95 percent are table or console models and 5 percent portable ones. The combination appliance most often found is the table or console radio plus record player (56 percent) and radio plus cassette recorder (35 percent).

In connection with the condition at the time of purchase of the electronic appliances owned by the public, the information obtained in the survey

conducted in 1982 shows that the majority of them were purchased new. So-called second-hand purchase was more frequent in the case of cassette and tape recorders (about 9 percent of the appliances) and much less frequent in the case of television sets (about 3 percent).

Retrospective analysis of the electronic consumer durables market in Romania reveals the existence of significant potential reserves, ones which have formed the basis for the extensive and intensive growth of demand for the goods in this group. The growth of extensive demand presupposes an existing difference between the actual ownership level and the theoretical or rational level established for each of these appliances. According to the estimates made by specialists*, with a rational ownership level, the ownership around the year 2000 should be 120-125 radios and 100-125 television sets per 100 households.

The percentage of households without electronic appliances is declining constantly with the steady elevation of the standard of living of the population. It is important to identify the segments owning the fewest appliances and to determine the reasons for not owning one or another appliance. In this connection, we present in what follows the structure of the reasons for non-ownership of television sets by households, on the basis of the results of the survey conducted in October 1982.

In first place is the reason "priority given to other expenditures" cited by more than one-half of the total number of non-owning households (54 percent). This denotes the existence of a need which will be filled in the immediate or more distant future. One group of reasons, for the most part of a subjective nature, has to do with attitudes less favorably disposed toward television watching (about 22 percent), reflected in statements such as "have no time to watch television programs" (10.5 percent), "feel that television encourages a sedentary lifestyle" (2 percent), and "prefer to spend free time otherwise" (9 percent). These reasons are given more frequently in the case of households in urban areas, where there is a wider range of choices for spending leisure time pleasantly. Another group of reasons, also of importance because of their high frequency (21 percent), includes those placed in the category of "other reasons" and relates in particular to improvement in retail marketing conditions, improvement in quality and design features, better stocking of spare parts by stores, etc.

In keeping with the structure of the reasons given, the theoretical potential market for television sets had the following structure in 1982 from the viewpoint of its distribution among the different categories of users:

*Grigore Vilceanu and coworkers, "Consumul populatiei in R.S. Romania" [Consumption by the Population in Romania], Editura Academiei R.S.R., Bucharest, 1981.

	percent
Total number of households	100.0
1. Actual users (households having television set)	63.0
2. Relative nonusers, having no television set because of:	37.0
— no need for a television set	8
— present assignment of priority to other expenditures	21
— no desire to purchase, chiefly because of supply	8

The potential for expanding the electronic appliance market is also based on the development of intensive demand in the form of ownership of more than one set of a given appliance and replacement of existing sets.

As a result of the process of acquisition of more than one set, the degree of ownership of some radio and television sets in some countries has already exceeded the ceiling of 100 sets per 100 households. It is believed that multiple set ownership will be intensified in the future in Romania, being stimulated chiefly by increase in population income and by development and diversification of electronic appliance production.

It is interesting in this connection to note that more than 17 percent of the total number of households earning an average monthly income of 1750 lei per person own a second radio and more than 3 percent a second television set, usually a portable one.

An important role in intensive development of the radioelectronic appliance market will be played, however, by modernization of current stocks, especially with newer radio and television sets.

Analysis of the replacement demand, according to the results of the survey conducted, has shown that in 1982 about 65 percent of the total sales of radios represented purchases for replacement of worn out sets, while this share represented 54 percent in the case of television sets.

All these aspects indicate the existence of reliable preconditions for development of the market for these appliances, but this development is determined by the action of a great number of factors, among which an important role is assigned to constant adaptation of supply to the demands of the market, promotion of the engineering advances made throughout the world, and improvement in marketing and servicing conditions.

A survey to determine purchasing plans has been made to identify the trends connected with evolution of the market for the electronic appliances in question over a short period (1983-1985). Since, however, purchasing plans are transformed into actual purchases only within the limits of certain probabilities, and considering the specific market conditions, it has been

estimated that over the period in question about 390,000 to 430,000 radios and about 280,000 to 320,000 television sets will be sold on the average each year.

Particular interest was displayed in color television in the field study conducted. Thus, more than 38 percent of the total number of households covered by the survey expressed their intention to purchase such a set. It may be said that increase in color television production can lead to substantial increase in the volume of sales both from initial purchase demand and especially in formation and expression of demand for addition, replacement, renewal, and modernization of sets.

The percentage of households intending to purchase tape and cassette recorders over the 1983-1985 period is almost the same from the viewpoint of "definite" intention to purchase (3.6-3.7 percent), but from the viewpoint of "possible" intention it reflects a certain preference for cassette recorders on the part of the public. With the necessary corrections made in this case as well, about 130,000 to 150,000 tape and cassette recorders taken together should be sold on the average each year over the period in question.

From the viewpoint of the intentions to purchase expressed on the occasion of the survey conducted, the prospects for development of the sales of record players appear to be substantially dimmer than for the other electronic appliances discussed in the foregoing. Sales of record players should average 65,000 to 100,000 per year over the 1983-1985 period.

Of course, the potential demand for the majority of the electronic appliances included in the study largely expresses the current characteristics of supply, and the market can be expanded by diversifying the assortment and improving the parameters of the models currently in the stores.

One characteristic aspect of all the audio equipment is the fact that the public's preference is in the direction of stereo equipment: 68 percent of the households surveyed expressed an intention to purchase stereo radios and 87 percent stereo tape recorders, cassette recorders, record players, or combinations of these appliances.

It is useful to note for radios that about 90 percent of the future buyers want sets with long-wave and medium-wave reception, and 83 percent also want short-wave receivers. Note should also be made of the large share (over 70 percent) of preferences for radios also operating on ultrashort waves, which ensure high-fidelity audio reproduction.

The evolution of the market for these appliances is closely linked to contemporary technical progress. Thus, the television set is tending to become a complex appliance performing multiple functions, one which can be connected by means of remote transmission networks to various data banks, when it operates in the display mode, or to electronic devices in the household (magnetoscopes, games, personal minicomputers, etc). In addition, the introduction of the extra-flat screen, because of the low

energy consumption and the possibility of miniaturization (a dominant trend in electronics) which it offers, will according to predictions by specialists predominate starting with the next decade. We may note that, on the world scale, some of these functions of the television set are now being tested, while others are already covered by current manufacturing standards. Similarly, radios are largely losing their functional independence, being incorporated in multifunction audio electronic equipment.

As the necessary conditions are created, the supply of electronic appliances for public consumption in Romania as well will undergo important changes as regards structure and audio and video performance (color television, miniature television sets, videocassette recorders, stereo and hi-fi receivers, various electronic combinations, record players with laser reading heads, family computers, etc).

Of course, in the immediate and the more distant future the public demand for these consumer durables will depend largely on the influence of several factors, among which we may mention increase in the population and accordingly of households, continuation of the urbanization process, the continuing development, diversification, and modernization of production, etc.

The market for these appliances is expected to develop vigorously to the year 2000, so as to raise the ownership level to about 320 sets per 1000 inhabitants in the case of television sets and 380 per 1000 in that of radios. These levels will mark attainment of the upper limit of a standard considered to be rational under Romanian conditions.

Of course, an important share of sales will be represented by color television sets. This share is to be about 40 percent in 1990 and 75 percent in the year 2000. At the same time, there will be a significant increase in replacement demand, which by 1990 should represent about 75 percent of total sales in the case both of television sets and of radios. At the year 2000 level these percentages should be about 90 percent for television sets and 80 percent for radios.

Sustained development of the Romanian economy into the future and continuing improvement in the welfare of the population, along with development and diversification of the production of electronic appliances, are the most important preconditions which will contribute greatly to stimulation of the market for these consumer durable goods, with a direct impact on increase in the degree of comfort and quality of life.

6115

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NEW TYPES OF AIRCRAFT DESIGNED, BUILT

Bucharest REVISTA ECONOMICA in Romanian No 36, 7 Sep 84 p 20

[Article by E. C.]

[Text] Since the beginning of this century, during the pioneering stage of aeronautics, the creative genius of our people, its inclinations toward aeronautical science and technology, have been the basis of honored successes in creating and developing flying machines. Starting with the first flight of Traian Vuia (in 1906) and into present days, more than 80 types of planes have been built in our country--among which 70 were of domestic design, as well as about 30 types of gliders and motorized gliders of Romanian design.

Recently, the Brasov Aeronautical Construction Enterprise--one of the seven large and modern plants for plane, helicopter, glider, and motorized glider construction, which have emerged strongly during the past two decades--has undertaken the construction of two new types of planes.

The agricultural plane IAR-828, the first of the two, is an aircraft with a large payload, very safe, efficient spreader of chemical fertilizers, and easy to maintain. Its engine (PT6A-15AG, 715 eshp) gives it an agricultural flying speed of 135-180 km/hour and a climbing rate of 240 m/min. Its flying ceiling (without agricultural load) is 5000 m, and its maximum flying distance (G=2000 kg, V=180 km/hr) is 400 km. Its turnaround time in agricultural operation is 40 sec, and its agricultural productivity is 19-195 ha/hr.

The other plane--the IAR-831--is a schooling and training plane which meets the needs of the most recent generation of such planes. It is an ultramodern two-seater tandem plane, equipped with an Arco Lycoming 10540 G1D5, 290 HP engine, and with a constant speed, two-bladed metal propeller. It has a 10-m wingspan, a length of 8.24 m, a height of 3.025 m, and a wing area of 15 sq-m. It has a NACA series 23 profile. It performs at a maximum speed of 325 km/hr, cruises at 295 km/hr, climbs at 450 km/hr [as published]; its economic cruising speed is 275 km/hr, and its stalling speed is 102 km/hr. Its takeoff distance (over 15 m) is 300 m and its flight range is 1500 km. The IAR-831 also has a load factor of +6/3 g in an acrobatic model, and +4.4/-2.2 g in an utility model.

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